Dear Members

As part of its Risk Management Enhancement Programme, Nasdaq Clearing AB ("Nasdaq") will amend its Default Fund Rules, Appendix 9 to the Commodity Derivatives Clearing Rules (the "Rules"), as previously having been presented and consulted with members at Risk Councils. Note that the changes now proposed do not include (i) the segregation of the default waterfall, i.e. the segregation of the Mutual Default Fund and the Senior Capital and (ii) the move from quarterly to monthly resizing of the Default Fund. These changes have been deemed as significant under Article 49 of European Market Infrastructure Regulation and are currently undergoing necessary regulatory validation.

We have attached an amended draft of the Rules, which sets out these changes. While the changes are part of a general update, the key updates are summarised below.

Defined terms in this notice shall have the meaning given to them in the Rules.

Amendments will come into effect on 18 September 2020.

Summary of key terms

Interim Period

- The Interim Period has been reduced from ninety (90) days to thirty (30) days following a Relevant Default. Where one or more subsequent Relevant Defaults occur during the same Interim Period, such Interim Period shall be extended for a further thirty (30) days from the date of the Relevant Default which falls latest in time, provided that an Interim Period shall not extend further than ninety (90) days. However, following a period of thirty (30) days from the date of the first application of the Junior Capital (or any replenished Junior Capital) to cover Default Losses in respect of any given Relevant Default, the replenished Junior Capital by Nasdaq will be moved to its original priority level.

- During the Interim Period the resizing of the Default Fund will be paused and instead a new Contribution Day will occur on the first Business Day after the end of an Interim Period, providing certainty as to the Default Fund Participant's Fund Requirement during an Interim Period. As the Default Fund resizing is paused during the Interim Period, Nasdaq may, to ensure a proper sizing of the Default Fund, increase a Default Fund Participant’s Fund Requirement up to 130% of the most recently notified Fund Requirement.

Guarantee Commitment

- The Guarantee Commitment will not be reduced by Replenishments, so Default Fund participants may be obligated to provide Guarantee Commitments and Replenishments separately. The Guarantee Commitment is capped at 100% of the most recently notified Fund Requirement.

Clarificatory Amendments around Default Fund Exit

- Nasdaq has clarified the Default Fund Exit provisions. A Default Fund Participant may serve a Default Fund Exit Notice on Nasdaq at any time and Nasdaq must either confirm in writing that such notice is effective or reject such notice within two (2) Business Days of receipt. Contributed Assets will be released on the first Contribution Day following the relevant Default Fund Exit Date (unless the Default Fund Exit Date will occur less than five (5) Business Days prior to the date Nasdaq is to notify the next Fund Requirements relating to such Contribution Day, in which case Contributed Assets will be released on the next
Contribution Day following such first Contribution Day). A Default Fund Participant will remain subject to the Rules until the Contribution Day when Nasdaq releases its Contributed Assets.