

3.23.4 Initial Margin shall initially be deposited in cash with the Clearing House as provided in Rule 3.23.1. Thereafter, the Clearing House may permit a Clearing Member to substitute securities for cash on deposit as Initial Margin. ~~Such or irrevocable letters of credit for Customer cash on deposit as Initial Margin. If irrevocable letters of credit are substituted, then such~~ substitution shall be subject to Rule 3.24.3. ~~If securities are substituted, such substitution shall be subject to Rule 3.24.1 and 3.24.2~~ in all respects and effected by delivering to the Clearing House securities and a request for the release of the cash Initial Margin for which the securities will be substituted by the time specified by the Clearing House on the day on which the Clearing Member wishes to make the substitution. Net income, if any, generated by any securities held by the Clearing House as Initial Margin for any Clearing Member shall belong and be credited to such Clearing Member.

3.24 Deposit of ~~Securities~~Non-Cash Collateral as Initial Margin

[3.24.1 and 3.24.2 are unchanged]

3.24.3 A Clearing Member may substitute irrevocable letters of credit from its Customers for Customer cash it has on deposit with the Clearing House as Initial Margin, in accordance with Rule 3.23.1 and this Rule 3.24.3, provided, however, that the Clearing House may prescribe limitations regarding the use of irrevocable letters of credit to meet Initial Margin requirements.

- (a) Irrevocable letters of credit must be in a form acceptable to the Clearing House.
- (b) Irrevocable letters of credit must be drawable in the United States.
- (c) A Clearing Member that presents a demand for payment under an irrevocable letter of credit must cover any Initial Margin liabilities covered by the irrevocable letter of credit in advance of the demand for payment.
- (d) A Clearing Member shall not accept from a Customer irrevocable letters of credit that are issued by the Customer, an affiliate of the Customer, the Clearing Member, or an affiliate of the Clearing Member.

SECTION VIII RULES IN SATISFACTION OF EUROPEAN COMMISSION CONDITIONS

8.1 House Account Minimum Liquidation Period

With respect to Clearing Member House Account positions, the Clearing House shall ensure Initial Margin requirements are calculated and collected using a liquidation period of not less than two (2) days calculated on a net basis.

8.2 Funded Financial Resources

The Clearing House shall maintain funded financial resources sufficient to enable the Clearing House to meet its financial obligations to Clearing Members notwithstanding a default by the two Clearing Members creating the largest combined loss to the Clearing House in extreme but plausible market conditions. If a Clearing Member controls another Clearing Member or is under common control with another Clearing Member, the affiliated Clearing Members shall be deemed to be a single Clearing Member for financial resources calculations under this rule.

8.3 Measures to Mitigate Procyclicality

The Clearing House shall establish Initial Margin requirements designed to limit the likelihood of procyclical changes in Initial Margin requirements and mitigate costly and disruptive adjustments to Initial Margin requirements in periods of high market volatility. Specifically, the Clearing House shall ensure that the Initial Margin model meets Option (b) as listed in Article 28 (Procyclicality) of Delegated Regulation (EU) No. 153/2013, which reads: “assigning at least 25% weight to stressed observations in the lookback period in accordance with Article 26.”