



FUTURES AND OPTIONS MODULE

1. SCOPE

- 1.1 **Transactions:** The clauses in this Module apply to transactions in futures and options. In this Module, "Transaction" means a transaction listed in sub-clauses (i)-(iv) of the definition of Transaction in the Interpretation Module, which constitutes a "Future" or an "Option" (as defined in articles 83 and 84 respectively of The Financial Services and Markets Act 2000 (Regulated Activities) Order (2001) and traded on a Market.
- 1.2 **Netting:** Any Transaction to which this Module applies shall, subject as follows, be deemed included in the definition of "Netting Transaction" for the purposes of this Agreement and subject to termination and liquidation under the clause headed "Netting" (the "**Netting Clause**") following an Event of Default. The Netting Clause shall not apply to any Transaction to the extent that action which conflicts with or overrides the provisions of the Netting Clause has been started in relation to that Transaction by a Market or clearing organisation under Applicable Regulations and is continuing.

2. TRADING ARRANGEMENTS

- 2.1 **Matching trades:** In respect of every Transaction made between us subject to the Rules of a Market, we shall, unless otherwise agreed in writing in relation to a particular Market, act as principal in any Transaction with you. We shall make (or arrange to make through an intermediate broker who may be an associate) on a principal-to-principal basis a matching Transaction on the relevant Market or accept the allocation to us of such a Transaction.
- 2.2 **Give-up:** In respect of every Transaction made between us and given up to be cleared by another broker or dealer as specified by you:
- (a) if such broker or dealer accepts the give-up, we shall (without prejudice to any claim we may have for commission or other payment) upon such acceptance cease to be a party to the Transaction and shall have no obligation to you for its performance;
 - (b) if such other broker or dealer declines to accept the give-up, we shall be entitled at our option either to confirm the Transaction with you or to liquidate



it by such sale, purchase, disposal or other Transaction or cancellation as we may in our discretion determine, whether on the relevant Market or by private contract or any other feasible method (including taking it over ourselves or transferring it to an associate); and any balance resulting from such liquidation shall be promptly settled between us but without prejudicing our rights under this Agreement or otherwise.]

- 2.3 ***International Uniform Give-up Agreement:*** You authorise us to enter into and execute any International Uniform Give-up Agreement on your behalf. Where you and we are party to an International Uniform Give-up Agreement, in the event of any inconsistency, the provisions of such agreement shall prevail over this Agreement.
- 2.4 ***Allocation on delivery or exercise:*** Where the relevant Market or intermediate broker does not specify a particular Transaction when making a delivery or exercising an option, we may allocate randomly or in a way which seems to us to be most equitable.
- 2.5 ***Exercise of options:*** You understand that Markets have established exercise cut-off times for the tender of instructions in relation to exercise of options and that options will become worthless in the event that you do not deliver instructions by such expiration time. You also acknowledge that we may establish exercise cut-off times which may be earlier than the exercise cut-off times established by the relevant Market, and you shall have no claims against us arising out of the fact that an option was not exercised,
- 2.6 ***Deemed exercise of options:*** Where by virtue of Market Rules an option is exercised automatically under a back-to-back Transaction which has been entered into by us on your instructions, the corresponding Transaction to which you and we are both party will be deemed to have been automatically exercised at the same time.
- 2.7 ***Correction of order:*** You understand that Markets may from time to time sanction the making of contracts by us off-exchange in order to satisfy your order, where there has been an error in the execution of your order on-exchange. Where a better price (an improvement) can be obtained, we may seek to secure and offer that improvement to you. Where, in response to your order, we have bought or sold in accordance with the instruction in your order to buy or, as the case may be, to sell but have traded the wrong delivery/expiry month or wrong exercise price of the relevant contract, then we may in accordance with the Rules of any relevant Market offset any loss arising from that trade against any improvement achieved for you in the course of correctly satisfying your order, thus offering you only the net improvement, if any.
- 2.8 ***Close-out:*** Unless otherwise agreed in writing between you and us or where the Rules of a Market provide otherwise, whenever any Transaction is entered into to close out any existing Transaction, then the obligations of each of us under both sets of Transactions shall automatically and immediately be terminated upon entering into the second Transaction, except for any settlement payment due in respect of such closed out Transactions, and any fines and other payments/rights claimed under general indemnities.



3. CLEARING SERVICES

3.1 **Transaction given up to us for clearing:** Subject to the Rules of any relevant Market, this clause applies where there is a give-up agreement between you, us and a third party executing broker, and the reference number or mnemonic applicable to you is quoted by such executing broker when a Transaction is submitted to us for clearing. In acting as your clearing broker we shall accept a Transaction given up to us for clearing only if we have agreed with you to clear Transactions of such a description and the acceptance thereof would not breach any position or other limits applicable to your account with us. Notwithstanding any provision contained in the relevant give-up agreement, if we accept such Transaction for clearing, such Transaction shall be binding and conclusive on you immediately on its acceptance for clearing by us whether or not the details of such Transaction have previously been confirmed to us by you. We shall not be liable to you for any losses, costs, expenses or damages arising from any discrepancy between details in your instructions to such executing broker and details of Transactions submitted to us for clearing. Any dispute relating to a Transaction given up or attempted to be given up to us for clearing shall be determined under applicable arbitration rules of the relevant Market.

3.2 **Fees paid to executing broker:** Subject to the Rules of any relevant Market, if a give-up agreement between you, us and a third party executing broker provides that the executing broker will invoice us directly for its commissions in relation to the execution of an order, then we shall be entitled to rely on the details specified in any invoice presented to us by such executing broker and, notwithstanding that the amounts specified in the invoice may be incorrect, you shall fully reimburse us for any sum paid to the executing broker in respect of that invoice. We shall have no liability to you for any losses, costs, expenses or damages incurred or suffered by you as a result of an incorrect amount being specified in an invoice.

4. FINANCIAL FUTURES REQUIRING NON-CASH SETTLEMENT

4.1 **Sales:** You shall make securities deliverable by you available for settlement on or before the settlement date. Where there are insufficient securities in your account and we do proceed to settlement, we may buy the securities required for delivery at a price we believe to be reasonable, charge your account for the cost thereof, deliver the securities to satisfy the delivery obligation, and credit your account with the net proceeds thereof (after deduction of commission and other costs).

4.2 **Settlement Agent:** You will notify us of all relevant details required by us of your settlement agent in respect of Transactions which may be subject to securities delivery obligations. You will procure that your settlement agent enters into such other documentation as may be necessary to ensure that the clearing and settlement of such Transactions takes effect without liability to us.

5. TRADE DISCLOSURE

5.1 **Trade Reporting:** Under Applicable Regulations, we may be obliged to make disclosures in respect of certain Transactions. You agree and acknowledge that any all proprietary rights in such Transaction information are owned by us and you waive



any duty of confidentiality attaching to the information which we are obliged to disclose.

6. EFP TRANSACTIONS

6.1 **EFPs:** Subject to the terms of any particular EFP Transaction, in relation to each EFP Transaction, upon our becoming bound to Futures Contracts entered into in replication of the Physical Contract, the Physical Contract shall be automatically discharged.

6.2 **Reverse EFPs:** Subject to the terms of any particular Reverse EFP Transaction, in relation to each Reverse EFP Transaction, the Physical Contract with you shall arise automatically upon the closing out (including by creation of opposite positions, on the relevant Market) of the Futures Contracts which the Physical Contract is intended to replace.

6.3 **Existence of Transactions:** The existence of an EFP Transaction or Reverse EFP Transaction is conditional on registration of the Futures Contracts (or, as the case may be, contracts effecting close-out) occurring on the date specified in the confirmation relating to the Transaction.

6.4 **Payment:** We will notify you of the amount of any payment due between us as a result of entering into an EFP Transaction or Reverse EFP Transaction, to whom it is payable and when.

6.5 **Definitions:** In this clause:

"**EFP Transaction**" means a transaction between us which comprises a Physical Contract which is intended to be replaced by Futures Contracts.

"**Futures Contract**" means a contract on terms prescribed by a Market.

"**Physical Contract**" means a Transaction the terms of which are comparable with the terms of Futures Contract, which is not entered into on or back-to-back with a transaction entered into by us on a Market.

"**Reverse EFP Transaction**" means a transaction between us which comprises a Physical Contract which is intended to replace Futures Contracts.