

## **FIRST SCHEDULE**

### **PROCESS FOR SUBSTITUTION AND NOVATION OF OPTIONS CONTRACTS**

Immediately upon an Options Contract being validly made under Options Trading Rule 513 by operation of Clearing Rule 202 and this First Schedule to these Clearing Rules, either:-

1. the Options Contract shall be replaced by novation with 2 OCH Contracts on the terms of that Options Contract recorded by SEOCH. One OCH Contract shall be between, as seller, SEOCH and, as buyer, the SEOCH Participant that is recorded as buyer of that Options Contract. The other OCH Contract shall be between, as buyer, SEOCH and, as seller, the SEOCH Participant that is recorded as the seller of that Options Contract; or
2. where at least one of the parties to an Options Contract is an NCP:-
  - (a) the GCP of each such NCP that has been designated for clearing such Options Contract shall, by operation of Clearing Rule 202 and this First Schedule to these Clearing Rules and the Options Trading Rules, become a party to that Options Contract as principal in substitution for, and with exactly the same rights and obligations under that Options Contract as, that NCP immediately upon the details of that Options Contract being recorded in the Transaction Register of the Options Trading System. That Options Contract shall, by operation of Clearing Rule 202 and this First Schedule to these Clearing Rules, be immediately replaced by novation with two OCH Contracts on the terms of that Options Contract recorded by SEOCH. One OCH Contract shall be between, as seller, SEOCH and, as buyer, either the Options Trading Exchange Participant that bought under that Options Contract or, where the Options Trading Exchange Participant is an NCP, the GCP that was substituted for that NCP. The other OCH Contract shall be between, as buyer, SEOCH and, as seller, either the Options Trading Exchange Participant that sold under that Options Contract or, where the Options Trading Exchange Participant is an NCP, the GCP that was substituted for that NCP; and
  - (b) immediately upon novation of that Options Contract, there shall arise, by operation of Clearing Rule 202 and this First Schedule to these Clearing Rules and the Options Trading Rules, a contract between each such NCP and the GCP that was substituted for that NCP as principals to such contract and subject to the terms and conditions of that Options Contract (an NCP Contract). The GCP shall, if buying under the Options Contract, sell to the NCP under the NCP Contract (and vice versa).