

Standard Clearing services RFP template prepared in the context of FRANDT

HSBC Bank Plc has prepared this standard request for proposal (**RFP**) in response to the obligation on clearing firms to provide their clearing services in accordance with Article 4(3a) of EMIR¹ in a manner which is fair, reasonable, non-discriminatory and transparent (this obligation is also known as FRANDT).

The purpose of this RFP is to enable prospective clients to easily compare the clearing services offered by clearing firms and to make an informed decision within a standardised framework regarding their choice of clearing firm. Not all the questions contained in this RFP will be relevant and applicable to all clearing firms.

This RFP has been prepared for use in the context of over-the-counter derivatives subject to mandatory clearing under Article 4 of EMIR, in keeping with the obligation under FRANDT being applicable to such derivatives, and is not intended to be used in the context of exchange traded derivatives. This RFP has further been prepared for use by European Union (**EU**) clearing firms only and any reference to a clearing firm in this RFP should be read accordingly. Non-EU clearing firms should seek their own independent legal advice as to the appropriateness of this document for their purposes.

This RFP does not purport to, and should not be considered to, cover all potential issues and considerations in connection with the comparison of clearing services offered by clearing firms. Clients should consult with their legal advisors and any other advisor they deem appropriate as to the responses provided.

¹ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended from time to time

Background and instructions for use

This standard request for proposal (**RFP**) has been completed by:

| | |
|--|--|
| Name of the clearing firm (the Clearing Firm): | |
| | |
| Contact details of the individual at the Clearing Firm who is responsible for this RFP: | |
| Name: | |
| Telephone number: | |
| Email address: | |
| Date this RFP was completed: | |
| | |

To the extent a client has further questions for the Clearing Firm which have not been covered by sections 1 to 9, section 10 allows for additional questions to be asked of the Clearing Firm. Equally, section 10 can also be used by the Clearing Firm to provide any additional clarifications, information, assumptions or disclaimers not provided for in sections 1 to 9 where required.

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INFORMATION ON THE CLEARING FIRM

1. GENERAL

1.1 General information

| | | |
|-------|--|--|
| 1.1.1 | Name (legal and other business names used, if applicable). | |
| 1.1.2 | Principal address. | |
| 1.1.3 | Registered address (if different from 1.1.2). | |
| 1.1.4 | Telephone number ² . | |
| 1.1.5 | Email address ³ . | |
| 1.1.6 | Link to website ⁴ . | |
| 1.1.7 | Jurisdiction of incorporation. | |
| 1.1.8 | Jurisdiction of incorporation of your parent entity (if relevant). | |
| 1.1.9 | Legal form of the Clearing Firm ⁵ . | |

1.2 Entity and group profile⁶

| | | |
|-------|--|--|
| 1.2.1 | Please provide your current group structure chart or a high level description of the corporate structure (including legal relationships) for relevant group companies. | |
| 1.2.2 | Please provide your current credit rating(s) from S&P, Fitch and Moody's, if applicable. | |

² The telephone number on the cover page is intended to be that of the individual responsible for the RFP, whereas Clearing Firms may prefer to include a more generic telephone number (i.e. the telephone number for the clearing services team more generally) by way of response to 1.1.4.

³ The email address on the cover page is intended to be that of the individual responsible for the RFP, whereas Clearing Firms may prefer to include an email list (i.e. for a department) by way of response to 1.1.5.

⁴ This is intended to be a link to the standard corporate website / relevant clearing page (as opposed to a link to the EMIR/MiFIR disclosure website).

⁵ This question is intended to capture the general legal form of the Clearing Firm.

⁶ It is open to Clearing Firms to respond to any of the questions in section 1.2 by way of a link to a website.

| | | |
|---|---|--|
| 1.2.3 | Please provide copies of your latest audited financial statements or annual report. | |
| 1.3 Regulatory information⁹ | | |
| 1.3.1 | Please provide details of relevant regulatory regime(s) under which you operate which are relevant to your provision of OTC clearing services and your classification under these regime(s), as applicable ⁷ . | |
| 1.3.2 | Please provide details of any current regulatory licence(s) that you hold ⁸ . | |
| 1.3.3 | Please provide the name(s) of the regulator(s) relevant to 1.3.1 and 1.3.2 above ⁹ . | |
| 1.4 Client communications | | |
| 1.4.1 | Please provide details as to how you support relationship management and client communication on an ongoing basis. | |
| 2. SCOPE OF OTC CLEARING SERVICES | | |
| 2.1 General | | |
| 2.1.1 | Please explain how your OTC clearing business is structured. | |
| 2.1.2 | Please describe the structure of your OTC clearing team and client service model ¹⁰ . | |
| 2.2 Access to CCPs and OTC clearing services | | |
| 2.2.1 | Please provide: (i) a list of CCPs which you have access to as a direct clearing member for OTC clearing purposes; and (ii) for each CCP listed in (i), a list of OTC clearing services that you subscribe to and offer to clients. | |

⁷ This question is intended to capture the relevant legislation / regulations (i.e. EMIR...) that the Clearing Firm is subject to.

⁸ This question is intended to cover the licences held by the Clearing Firm, to enable the client to verify that the Clearing Firm holds the correct licences to be able to provide relevant OTC clearing services to the client.

⁹ Different information is required in response to 1.3.3 and 1.3.1/1.3.2. For example, whilst the relevant regime under 1.3.1 could be EMIR, the regulator under 1.3.3 could differ depending the jurisdiction(s) in which the Clearing Firm operates (i.e. the FCA, BaFin, AMF).

¹⁰ Clearing Firms may wish to respond to this question by providing any of the following information: whether they provide a single point of contact for clients, the location of their client services, key staff, coverage times, staff language capabilities and/or escalation contacts in case of dispute or delay to normal operations.

| | | |
|-------------------------------------|---|--|
| 2.2.2 | For each CCP and OTC clearing service listed in 2.2.1 above, please provide a list of account structures supported and key features of those account structures. | |
| 3. ONBOARDING | | |
| 3.1 | Please provide an outline of the onboarding process (including key milestones and an indicative timeline of the key elements of the process). | |
| 3.2 | Please list any assumptions or dependencies on prospective clients in relation to 3.1 above which could affect the indicative timeline provided ¹¹ . | |
| 3.3 | Please confirm what requirements and information you expect from clients as part of the onboarding process ¹² . | |
| 3.4 | Please provide an explanation of how the outline detailed in 3.1 above may differ by: (i) CCP; (ii) OTC clearing service; (iii) product type; or (iv) account structure. | |
| 4. CONTRACTUAL DOCUMENTATION | | |
| 4.1 Overview | | |
| 4.1.1 | In respect of your OTC clearing offering, please list the key contractual agreements (including annexes, modules etc.) required to enable OTC clearing. | |
| 4.1.2 | Please confirm to what extent the documents listed in 4.1.1 above are based on industry standard templates (i.e. those published by FIA and ISDA) as opposed to in-house templates. | |

¹¹ This question is intended to capture the assumptions inherent in the timeline at 3.1 (i.e. whether the timing will be affected if client is located in certain jurisdictions, if the client requires a bespoke structure, depending on which products are being cleared etc).

¹² Clearing Firms may wish to include information on technology or IT related requirements, minimum trading requirements and/or KYC and due diligence requirements by way of response to this question.

| 4.2 Key contractual terms ¹³ | | |
|---|--|------------------------|
| 4.2.1 | Key contractual terms in the agreements listed in 4.1.1 above will include: ¹⁴ | |
| | a. events of default (including failure to pay and bankruptcy) in respect of the client; | [Yes / No / free text] |
| | b. a termination provision in respect of Clearing Firm default; ¹⁵ | [Yes / No / free text] |
| | c. a termination provision in respect of CCP default; | [Yes / No / free text] |
| | d. voluntary termination provisions; | [Yes / No / free text] |
| | e. other events allowing parties to terminate the OTC clearing arrangements; | [Yes / No / free text] |
| | f. provisions entitling the client to request the Clearing Firm to transfer transactions to another clearing firm; ¹⁶ | [Yes / No / free text] |
| | g. consent required amendments; | [Yes / No / free text] |
| | h. unilateral amendments by the Clearing Firm; | [Yes / No / free text] |
| | i. a limitation of liability provision; | [Yes / No / free text] |
| | j. an indemnity provision; and | [Yes / No / free text] |
| | k. disclosure of confidential information | [Yes / No / free text] |
| 4.2.2 | For each document listed in 4.1.1 above, please specify the relevant governing law. | |
| 4.2.3 | For each document listed in 4.1.1 above, please specify the relevant jurisdiction clause. | |

¹³ Any key contractual term captured by 4.2 will be the minimum contractual provision required by the Clearing Firm. For the avoidance of doubt, further terms may be required as any negotiation progresses between the client and Clearing Firm.

¹⁴ To the extent it would be helpful for Clearing Firms to include more information by way of response to 4.2.1 than “yes/no”, this information can be provided in the “free text” category.

¹⁵ This question is intended to capture a Clearing Firm default at a CCP.

¹⁶ This question is intended to capture pre-default porting. Information on post default porting is covered in 5.1 below.

5. DEFAULT MANAGEMENT

| | | |
|-----|--|--|
| 5.1 | Please provide details on the portability of positions and margin in the event of a Clearing Firm default ¹⁷ . | |
| 5.2 | Please provide details on the liquidation of positions and margin in the event of: (i) a CCP default; and (ii) a Clearing Firm default ²¹ . | |

6. MARGIN

6.1 General

| | | |
|-------|---|--|
| 6.1.1 | Please confirm the standard legal basis on which the client posts margin to the Clearing Firm (i.e. title transfer or security interest). | |
| 6.1.2 | Please confirm the current legal basis on which the Clearing Firm posts margin to the CCP in respect of each OTC clearing service listed in 2.2.1 above (i.e. title transfer or security interest). | |
| 6.1.3 | Please confirm whether you pass through the CCP's call for variation margin and initial margin in respect of each OTC clearing service listed in 2.2.1 above. | |

6.2 Margin calls

| | | |
|-------|---|--|
| 6.2.1 | Please describe the process for calling margin (including the timings involved) and please confirm whether this is the same for each OTC clearing service listed in 2.2.1 above. | |
| 6.2.2 | Please confirm whether you will make one call or separate calls between variation margin and initial margin and whether this is the same for each OTC clearing service listed in 2.2.1 above. | |

¹⁷ To the extent Clearing Firms consider that this question can be answered exhaustively by reference to the CCP rulebooks (i.e. that their approach does not differentiate in any way to that taken in the relevant CCP rulebook), this question may be answered by way of link to the relevant CCP rulebook webpage. Clearing Firms may also answer this question by way of a link to their existing EMIR disclosures. ²¹ Clearing Firms may also answer this question by way of a link to their existing EMIR disclosures.

7. RISK MANAGEMENT¹⁸

| | | |
|-----|--|--|
| 7.1 | Please provide a high level summary of your business continuity and/or disaster recovery policies as relevant to OTC clearing. | |
| 7.2 | Please provide a high level summary of your cyber security and information security policies as relevant to OTC clearing. | |
| 7.3 | Please provide a high level summary of your data protection policy as relevant to OTC clearing. | |
| 7.4 | Please provide a high level summary of your conflict of interest policy as relevant to OTC clearing. | |

8. FEES²³

| | | |
|-----|--|--|
| 8.1 | Please describe the fees you charge for providing OTC clearing services. | <i>[To be completed by the Clearing Firm as appropriate]</i> |
|-----|--|--|

9. SUPPORT PROVIDED

9.1 Technology

| | | |
|-------|---|--|
| 9.1.1 | Please provide details of any technology platform provided in respect of your OTC clearing offering. | |
| 9.1.2 | Please confirm whether clients are able to track transactions via a report or a system as they pass through clearing. If this is done by way of a report, please confirm: whether this is available in real time or provided at a specific time / the end of the day; what format this is provided in; and whether this is tailored to the client. | |

¹⁸ It is open to Clearing Firms to respond to the questions in this section 7 by providing a high level summary or a link to a website. ²³ This section 8 is to be completed by Clearing Firms as they consider appropriate in light of their individual pricing structures.

10. ADDITIONAL INFORMATION¹⁹

| | | |
|------|---|---|
| 10.1 | <i>[To be completed by the client or Clearing Firm as required]</i> | <i>[To be completed by the Clearing Firm as required]</i> |
|------|---|---|

¹⁹ This space has been provided for Clearing Firms or clients to provide or request additional information on the Clearing Firm's OTC clearing service. The Clearing Firm, or the client, should include their further question in the second column, with the Clearing Firm's response being provided in the third column.