

FIA enhances Indirect Clearing Terms with Multiple Capacities Scenarios and Corrigenda

Following detailed analysis and review by external counsel, FIA published updated version of the following three Indirect Clearing Terms:

- 2011 Longer Chain CM – DC Terms;
- 2011 Longer Chain Middle Link Terms; and
- 2018 Longer Chain Middle Link Terms.

The updated versions now contain:

- 1) the multiple capacity updates;
- 2) the corrigenda and clarifications in relation to certain netting scenarios (corrigenda amendments were only made to the 2011 and 2018 Middle Link Terms); and
- 3) consequential amendments and drafting improvements.

Multiple Capacity Scenarios

In respect of the FIA Longer Chains Indirect Clearing Terms, we have been asked to create versions to allow for the simultaneous use of different Schedules or Modules (as applicable) where a Firm and its Client operated at different levels and/or in different capacities in a clearing chain (a “Multiple Capacities Scenario”) with the same base FIA Terms of Business 2018 Terms or PCA 2011 (as applicable). Please note that the (short chain) FIA Indirect Clearing Documentation has not been prepared for use in Multiple Capacities Scenarios. To allow the use in Multiple Capacities Scenarios, a number of provisions in the FIA Longer Chains Documentation were amended (as described in more detail in the User Guide). These amendments predominantly relate to different issues regarding the netting mechanism if the terms are used for multiple capacities with a single client.

Corrigenda

A number of clarifications and general improvements were made to the 2011 Middle Link Terms and the 2018 Middle Link Terms (as described in more detail in the User Guide). These clarifications relate to the concepts of ‘upstream netting’ and ‘downstream trigger’.

For background: FIA has produced indirect clearing terms, which are designed to supplement contractual terms based on either the PCA 2011 or the FIA Terms of Business 2018. FIA Indirect Clearing Terms cover two types of FIA indirect clearing terms:

- the short chain documentation suite (consisting of eight separate documents for use on either the CM – DC level or the DC – IC level, supplementing either the 2018 Terms or the PCA 2011, and for use with either Basic Omnibus Segregated Accounts (“BOSAs”) only or for use with BOSAs and Gross Omnibus Segregated Accounts (“GOSAs”) as described in more detail in the tables on the following pages); and
- the longer chain documentation suite (consisting of six separate documents for use on either the CM – DC level, one of the client levels/ middle link level (i.e. DC – IC1 or IC1 – IC2, depending on the relevant chain), or the end of chain level (i.e. IC1 – IC2 or IC2 – IC3, depending on the relevant chain), supplementing either the 2018 Terms or the PCA 2011, and for use with BOSAs only (as Longer Chains are only permissible in BOSA – only structures) as described in more detail in the tables on the following pages).

Tables A and B below show all the different versions of the FIA Indirect Clearing Terms and the indirect clearing scenarios that they can be used. The documents in [red](#) below show the versions that were updated in 2023.

Table A

	FIA Professional Client Agreement 2011				FIA Terms of Business 2018			
	CM – DC	DC – IC1	IC1 – IC2	IC2 – IC3	CM – DC	DC – IC1	IC1 – IC2	IC2 – IC3
BOSA only Terms	<u>X</u> Blackline	<u>X</u> Blackline	N/A	N/A	<u>X</u> Blackline	<u>X</u> Blackline	N/A	N/A
BOSA/GOSA Terms	<u>X</u> Blackline	<u>X</u> Blackline	N/A	N/A	<u>X</u> Blackline	<u>X</u> Blackline	N/A	N/A
NEW Longer chains CM – DC Terms	<u>X</u> Blackline	N/A	N/A	N/A	<u>X</u>	N/A	N/A	N/A
NEW Longer chains ‘middle links’ Terms	N/A	<u>X</u> Blackline	<u>X</u> Blackline	N/A	N/A	<u>X</u> Blackline	<u>X</u> Blackline	N/A
NEW Longer chains ‘end of chain’ Terms	N/A	<u>X</u>	<u>X</u>	<u>X</u>	N/A	<u>X</u>	<u>X</u>	<u>X</u>

Table B

Indirect Client Account Election

Link in chain that each template covers is shown in **red** below

	N/BOSA		GOSA	
	2018 Template	2011 FIA PCA Template	2018 Template	2011 FIA PCA Template
Longer chain (Top of Chain) ¹	CCP - CM - DC - IC1 - IC2 CCP - CM - DC - IC1 - IC2 - IC3 CCP - CM - DC - IC ³	CCP - CM - DC - IC1 - IC2 CCP - CM - DC - IC1 - IC2 - IC3 CCP - CM - DC - IC ³		
Longer chain (Middle of Chain) ²	CCP - CM - DC - IC1 - IC2 ;or CCP - CM - DC - IC1 - IC2 - IC3	CCP - CM - DC - IC1 - IC2 ;or CCP - CM - DC - IC1 - IC2 - IC3		
Longer chain (End of Chain)	CCP - CM - DC - IC1 - IC2 CCP - CM - DC - IC1 - IC2 - IC3 CCP - CM - DC - IC ⁴	CCP - CM - DC - IC1 - IC2 CCP - CM - DC - IC1 - IC2 - IC3 CCP - CM - DC - IC ⁴		

The above should replace the original 4 party chain templates which are as follows given these docs can also be used to cover 4 parties

4 party CM - DC	CCP - CM - DC - IC ⁵	CCP - CM - DC - IC ⁵	CCP - CM - DC - IC	CCP - CM - DC - IC
4 party DC - IC	CCP - CM - DC - IC ⁶	CCP - CM - DC - IC ⁶	CCP - CM - DC - IC	CCP - CM - DC - IC

¹As updated by memo from CC dated 6 May 2022 for the 2011 FIA PCA.

²As updated by memo from CC dated 6 May 2022 for the 2011 and 2018 PCA.

³4 party CM - DC doc could also be used for this.

⁴4 party DC - IC doc could also be used for this.

⁵Longer chain doc top of chain could also be used for this.

⁶Longer chain end of chain template could also be used for this.



Disclaimer: Neither User Guide to the FIA Terms of Business 2018 (Version 2.0) nor this briefing provide legal or other advice. They have been prepared and published solely for information purposes. Any firm using either document should seek their own legal or other professional advice prior to acting or using any information included in or referred to in these publications.

