

PRUDENTIAL REGULATION AUTHORITY

DIRECTION

To: Merrill Lynch International (FRN 147150) (the "Firm")

Merrill Lynch UK Capital Holdings Limited (FRN 482627) (the "Company")

Of: 2 King Edward Street, London EC1A 1HQ

Ref: 00004552

Date: 18 March 2022

Liquidity (CRR) Part of the PRA Rulebook (Version in force at the effective date of this Direction)

Power

1. This Direction is given by the Prudential Regulation Authority ("PRA") under section 138A of the Financial Services and Markets Act 2000.

Duration

2. This Direction takes effect on the date shown above and remains in force until the earlier of:

- a) The date on which the relevant rule is revoked or no longer applies to the Firm and/or the Company; or
- b) This date that this Direction is revoked or superseded by a further Direction applicable to the Firm and/or the Company relating to the same subject matter.

Rules modified

3. The PRA directs that Article 411 and Article 428da of the Liquidity (CRR) Part of the *PRA* Rulebook applies to each of the Firms and to the Company in respect of the solo and/or consolidated requirements they are subject to with the

modifications shown below (text removed shown in strike-out and new text underlined).

Rule	Modification
Article 411	(18) '<i>clearing member</i>' means a clearing member as defined in point (14) of Article 2 of Regulation (EU) No 648/2012. <u>(19) '<i>indirect clearing arrangement</i>' means a chain of contractual relationships between providers and recipients of indirect clearing services of the type envisaged by Regulation (EU) No 2154/2017</u> <u>(20) '<i>clearing broker</i>', within an <i>indirect clearing arrangement</i>, means a person that either (i) posts margin or collateral to a QCCP as <i>clearing member</i> for that QCCP or (ii) acts as a contracting party within a chain of contracts through which margin or collateral is posted by a <i>clearing member</i> to a QCCP.</u>
Article 428da	1. This Article applies to initial margin, variation margin and derivatives assets and liabilities that are directly linked to derivative client clearing activities with a QCCP where the institution <u>either acts as <i>clearing member</i> for clients or instructs a <i>clearing broker</i> as part of an <i>indirect clearing arrangement</i>:</u> a) initial margin shall include: i. all amounts posted to the QCCP <u>or <i>clearing broker</i></u>; and ii. amounts in excess of the amount posted to a QCCP <u>or <i>clearing broker</i></u> only to the extent that such amounts are segregated from the assets of the institution and, as a result of that segregation, are not available to the institution freely to dispose of or exchange; and b) the institution does not provide to its clients guarantees of the performance of the QCCP or <u><i>clearing broker</i></u> and, as a result, does not incur any funding risk. 3. Where in providing derivative client clearing services in its capacity as a <u><i>clearing member</i></u> of a QCCP the institution receives initial margin collateral from clients that is not included in <u>paragraph 1(a)</u>:

Rule	Modification
	a) collateral assets accounted for on the balance sheet of the institution shall be subject to a required stable funding factor in accordance with Chapter 4 or Chapter 7 of Title IV (The Net Stable Funding Ratio); and b) associated liabilities shall be subject to an available stable funding factor in accordance with Chapter 3 or Chapter 6 of Title IV (The Net Stable Funding Ratio).

Interpretation

4. Interpretative provisions (including definitions) of the *PRA Rulebook* apply to this Direction in the same way they apply to the *PRA Rulebook*.

Supervision, Risk and Policy Committee
Prudential Regulation Authority