

Summary of CHIPS Rule Changes

Effective November 2, 2020 the CHIPS Rules have been revised as summarized below.

Changes to Rule 12

- Prefunding “Override”
 - CHIPS Rule 12(b)(1) provides that TCH will calculate a prefunded requirement for each Participant at least once a month and that each Participant must provide this prefunded requirement by 9:00 a.m. each CHIPS day.
 - CHIPS uses a prefunding calculator to calculate each Participant’s prefunded requirement on a weekly basis.
 - Rule 12(b) is revised to permit Participants to request and TCH in its sole discretion to agree that a Participant may have a predetermined opening position. The revised rule makes clear that if a Participant’s predetermined opening position is less than the system-calculated position, the system-calculated position is the Participant’s opening position for the opening position effective period.
- “Auto Reserve” functionality
 - Rule 12(c) is revised to enable a Participant to request the use of functionality that automatically reserves the portion of the Participant’s supplemental position that is eligible to be reserved in the amount of any unreleased urgent payments that the Participant has sent to CHIPS.

Changes to Rule 16(b)

- Revised Rule 16 (b) (Fraudulent Transfers/ System Origin)
 - Provides that TCH will use commercially reasonable efforts to procure a financial institution bond and computer crime policy
 - Enables TCH in its sole discretion to determine that an event should be covered by the bond and/or insurance and to submit a claim of loss to the bond/insurance carrier
 - Requires TCH to transfer some or all payment that it receives on a proof of loss to CHIPS Participants that suffered a loss from the event, in a proportion deemed appropriate by the PayCo (Managing) Board
 - Retains the current loss sharing among Participants for a loss related to fraudulent transfers of system origin that is not otherwise covered by insurance/ bond payment
 - Retains TCH’s current limitation of liability under Rule 15.