



International Derivatives Clearing Group, LLC
150 East 52nd Street
5th Floor
New York, NY 10022
212.933.9800 office
212.933.9801 fax
www.IDCG.com

IDCH Notice to Members No. 0003-10

Notice to Members

TO: Clearing Members of the International Derivatives Clearinghouse, LLC
FROM: Risk Management Department
SUBJECT: Payment of Price Alignment Interest (PAI) into Variation Performance Bond for OTC Contracts Cleared by OTC Clearing Members
DATE: November 15, 2010

Please be advised that beginning today, in order to more accurately reflect the current practice in the over-the-counter interest rate swap market, IDCH will apply a price alignment interest (PAI) adjustment for OTC Contracts cleared by OTC Clearing Members.

The PAI adjustment is calculated using the following formula:

$$\text{PAI} = -1 * (\text{mtmPrevClose} * \text{overnightIndexRate} * \text{overnightPeriod} / \text{dayCount})$$

Where:

- mtmPrevClose = Aggregate MTM for the account at the previous close based on the IDCG Official EOD Curve
- overnightIndexRate = Index rate for the payment currency for current business date (USD: US Fed Funds O/N)
- overnightPeriod = (followingBusinessDate - businessDateToday) in calendar days
- dayCount = Denominator of day count convention for currency (USD: 360)

If you have any questions, please contact:

Michael Dundon

646-687-2528

Michael.Dundon@idcg.com