SECMP0016 – Legal Text

Consideration of "maximum credit" value in credit cover calculation

Delete the following definitions in Section A.1.1:

~~**Credit Cover Factor**~~	~~has the meaning given to that expression in Section J3.4 (User's Credit Cover Factor).~~

Add the following definitions to Section A.1.1:

Maximum Credit Value	has the meaning given to that expression in Section J3.3B (Party's Maximum Credit Value).
Unsecured Credit Factor	has the meaning given to that expression in Section J3.4 (Party's Unsecured Credit Factor).
Unsecured Credit Limit	has the meaning given to that expression in Section J3.3A (Party's Unsecured Credit Limit).

Amend the following definition in Section A.1.1:

Credit Assessment Score	means, in respect of a Party~~User~~, a credit assessment score in respect of that Party~~User~~ procured from one of the credit assessment companies named in Section J3.8 (Party~~User~~'s Unsecured Credit~~ Cover~~ Factor). ~~Where more than one credit assessment product is listed in respect of that company, it shall be the score determined in accordance with the listed product that the DCC reasonably considers the most appropriate for the User.~~
Value at Risk	has the meaning given to that expression in Section J3.3 (Party~~User~~'s Value at Risk).

Amend Sections J3.2 – J3.13 as follows:

Calculation of Credit Cover Requirement

J3.2 The DCC shall calculate each Party's "**Credit Cover Requirement**" from time to time (and at least once a week) as follows:

(a) the Party's Value at Risk; ~~multiplied by~~minus

(b) the Party's ~~Credit Cover Factor~~Unsecured Credit Limit,

provided that, where a Party's Credit Cover Requirement would otherwise be equal to or less than the Credit Cover Threshold, the Party's Credit Cover Requirement shall be deemed to be zero. Except where the Party's Credit Cover Requirement is zero (or deemed to be zero), the DCC shall notify each Party of the Credit Cover Requirement calculated in respect of that Party (and of the Value at Risk, Maximum Credit Value, Unsecured Credit Factor, and Unsecured Credit Limit~~Credit Cover Factor~~ used in that calculation).

Party's Value at Risk

J3.3 Each Party's "**Value at Risk**" shall be calculated as the sum of:

(a) the Charges (inclusive of VAT) set out in Invoices addressed to, but not yet paid by, the Party; plus

(b) the Charges (inclusive of VAT) that the DCC reasonably estimates are likely to be incurred by the Party in the period until the next Invoice for that Party is due to be produced by the DCC.

Party's Unsecured Credit Limit

J3.3A Each Party's "**Unsecured Credit Limit**" is the product of:

(a) the Party's Maximum Credit Value; multiplied by

(b) the Party's Unsecured Credit Factor.

Party's Maximum Credit Value

J3.3B Each Party's "**Maximum Credit Value**" is the amount recommended by one of the credit assessment companies identified in Section J3.8 as the maximum amount a creditor should have outstanding to the Party at any one time (subject to Section J3.9(d)). To the extent that a Party's

Unsecured Credit Factor is determined by reference to its guarantor's Recognised Credit Rating or Credit Assessment Score (as described in Sections J3.6 or J3.7), then the guarantor's Maximum Credit Value (rather than the Party's) shall be used to calculate the Party's Unsecured Credit Limit.

Party's Unsecured Credit ~~Cover~~ Factor

J3.4 Each Party's "**Unsecured Credit ~~Cover~~ Factor**" shall be determined in accordance with Section J3.5, J3.6 or J3.7 (as applicable); provided that, where a Party has failed to pay the Charges set out in an Invoice by the Due Date on 3 or more occasions during the 12 months preceding the date on which the Unsecured Credit ~~Cover~~ Factor is being determined, then the Party's Unsecured Credit ~~Cover~~ Factor shall be ~~100%~~zero.

J3.5 Where a Party has one or more Recognised Credit Ratings, the Party's Unsecured Credit ~~Cover~~ Factor shall be determined on the basis of that Recognised Credit Rating from time to time as follows (based, where the Party has more than one such rating, on the lower of the ratings):

DBRS		Moody's		Fitch		Standard and Poor's		Unsecured Credit ~~Cover~~ Factor (%)
Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	
AAA	R-1 H	Aaa	P-1	AAA	F1+	AAA	A-1+	50
AA (high)	R-1 H	Aa1	P-1	AA+	F1+	AA+	A-1+	50
AA	R-1 M	Aa2	P-1	AA	F1+	AA	A-1+	50
AA (low)	R-1 M	Aa2	P-1	AA-	F1+	AA-	A-1+	50
A (high)	R-1 L	A1	P-1	A+	F1	A+	A-1	20
A	R-1 L	A2	P-1	A	F1	A	A-1	20
A (low)	R-1 L	A3	P-2	A-	F2	A-	A-2	20
BBB (high)	R-2 H	Baa1	P-2	BBB+	F2	BBB+	A-2	~~5~~10
BBB	R-2 M	Baa2	P-3	BBB	F3	BBB	A-3	9.5~~0~~
BBB (low)	R-2 L	Baa3	P-3	BBB–	F3	BBB–	A-3	~~50~~9
BBB (high)	-	Ba1	-	BB+	-	BB+	-	8.5
BBB	-	Ba2	-	BB	-	BB	-	8
BBB (low)	-	Ba3	-	BB-	-	BB-	-	7.5
~~lower~~	~~lower~~	~~lower~~	~~lower~~	~~lower~~	~~lower~~	~~lower~~	~~lower~~	~~100~~

J3.6 Where a Party's obligations are guaranteed by a Parent Company Guarantee, and where the provider of that Parent Company Guarantee has a Recognised Credit Rating, the Party's Unsecured Credit ~~Cover~~ Factor shall be determined in accordance with Section J3.5; save that:

(a) Section J3.5 shall apply on the basis of the Recognised Credit Rating of the guarantor under the Parent Company Guarantee (rather than of the Party); and

(b) where the Parent Company Guarantee is capped at an amount lower than the Party's Value at Risk, then the Party's Unsecured Credit ~~Cover~~ Factor shall be the weighted average of the amounts determined under Sections J3.6(a) and either (as applicable) J3.5 or J3.7(a) (such average to be weighted by reference to the Parent Company Guarantee cap and the amount by which the Party's Value at Risk exceeds such cap).

J3.7 To the extent that neither Section J3.5 nor J3.6 applies to a Party, the Party's Unsecured Credit ~~Cover~~ Factor shall be determined:

(a) where a Party's obligations are not guaranteed by a Parent Company Guarantee, on the basis of the Party's Credit Assessment Score;

(b) where a Party's obligations are guaranteed by a Parent Company Guarantee and that guarantee is capped at an amount higher than the Party's Value at Risk, on the basis of the guarantor's Credit Assessment Score; or

(c) where a Party's obligations are guaranteed by a Parent Company Guarantee and that guarantee is capped at an amount lower than the Party's Value at Risk, on the basis of the weighted average of the Party's Credit Assessment Score and the guarantor's Credit Assessment Score (weighted by reference to the Parent Company Guarantee cap and the amount by which the Party's Value at Risk exceeds such cap).

J3.8 For the purposes of Section J3.7, the Party's (and/or its guarantor's) ~~"~~Credit Assessment Score~~"~~ (and therefore its Unsecured Credit Factor) shall be determined in accordance with the table set out below ~~(subject to Section J3.9(d))~~. In accordance with Section J3.3B, a Party's Maximum Credit Value is also determined by reference to the assessment of one of the credit assessment companies referred to below. Each Party shall be entitled to choose which of the listed credit assessment companies, and which of the listed products, is used for the purposes of establishing its Credit Assessment Score and Maximum Credit Value.~~:~~

Check It (ICC) Credit Score Report	Dun~~n~~ & Bradstreet / N2 Check Comprehensive Report	Equifax	Experian Bronze, Silver or Gold Report	Graydons Level 1, Level 2, or Level 3 Report	Unsecured Credit ~~Cover~~ Factor (%)
95-100	5A1/	A+	95-100	1A	~~50~~10
90-94	5A2/4A1	A /A-	90-94	1B/2A	~~60~~9.5
80-89	5A3/4A2/3A1	B+	80-89	1C/2B/3A	~~70~~9
70-79	4A3/3A2/2A1	B/B-	70-79	2C/3B/4A	~~80~~8.5
60-69	3A3/2A2/1A1	C+	60-69	3C/4B/5A	~~90~~8
50-59	2A3/1A2/A1	C/C-	50-59	4C/5B/6A	~~100~~7.5
40-49	1A3/A2/B1	D+	40-49	5C/6B/7A	~~100~~6.5
30-39	A3/B2/C1	D/D-	30-39	6C/7B/8A	~~100~~ 5

20-29	B3/C2/D1	E+	20-29	8B	~~100~~3.5
10-19	C3/D2/E1	E/E-	10-19	8C	~~100~~1.5
Below 10	Below E1	Below E-	Below 10	Below 8C	~~100~~0

Credit Assessment Reports

J3.9 The following shall apply in respect of each Party's Maximum Credit Value and (where Section J3.7 applies in respect of a Party) Credit Assessment Score~~Where Section J3.7 applies to a Party~~:

(a) subject to Section J3.9(e), the cost of obtaining the Maximum Credit Value and (where applicable) the Credit Assessment Score in respect of ~~th~~a~~t~~ Party (and/or its guarantor) shall be met by the Party;

(b) subject to Section J3.9(e), a revised Maximum Credit Value and (where applicable) Credit Assessment Score in respect of ~~th~~a~~t~~ Party (and/or its guarantor) shall be obtained as often as the Party reasonably requires and at least once every 12 months;

(c) where Section J3.7 applies and no valid Credit Assessment Score exists in respect of a Party (or its guarantor), the Party's Unsecured Credit ~~Cover~~ Factor shall be deemed to be zero~~100%~~; ~~and~~

(d) where no valid Maximum Credit Value exists in respect of a Party (or its guarantor), the Party's Maximum Credit Value shall be deemed to be zero; and ~~the Party's Value at Risk (and/or the guarantor's Parent Company Guarantee cap) exceeds the recommended exposure limit associated with its Credit Assessment Score, its Credit Assessment Score shall be the weighted average of the Credit Assessment Score that would otherwise have applied and 100% (weighted by reference to the recommended exposure limit, and the amount by which the Vale at Risk (or Parent Company Guarantee cap) exceeds such limit)~~

(e) where a Party's Value at Risk is equal to or less than the Credit Cover Threshold, the DCC shall not obtain a Maximum Credit Value or Credit Assessment Score in respect of that Party (and Sections J3.9(a) and J3.9(b) shall not apply).

Increase or Decrease in Credit Cover Requirement

J3.10 On notifying a Party of its Credit Cover Requirement pursuant to Section J3.2, the DCC shall also specify the value of the Credit Support provided to the DCC on behalf of the Party at that time. Where the value of the Credit Support is less than the Party's Credit Cover Requirement, the Party shall, within two Working Days after receipt of such notification, procure that additional Credit Support is provided to the DCC on the Party's behalf so that the aggregate value of all such Credit Support is equal to or greater than the Party's Credit Cover Requirement.

J3.11 The DCC shall, within five Working Days after a request from a Party to do so, return that Party's Credit Support (or any part of it) to that Party; provided that the DCC shall never be obliged to return Credit Support to the extent that such return would reduce the aggregate value of the Party's Credit Support below the Party Credit Cover Requirement.

J3.12 Additions and reductions in Credit Support pursuant to Section J3.10 and J3.11 may (without limitation) be achieved by amending the terms of existing Credit Support or exchanging Credit Support.

J3.13 For the avoidance of doubt, where a Bank Guarantee, Letter of Credit or Parent Company Guarantee provided on behalf of a Party ceases to satisfy the requirements of the definitions of Bank Guarantee, Letter of Credit or Parent Company Guarantee (respectively), then the value of such Credit Support or of the Party's Unsecured Credit ~~Cover~~ Factor (as applicable) shall be calculated as if no such document had been provided (and the DCC shall return such document to the Party within 5 Working Days after a request to do so).

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