

---

**LCH LIMITED**  
**PROCEDURES SECTION 2B**  
**REPOCLEAR CLEARING SERVICE**

---

## CONTENTS

| Section                                                                                                                                                        | Page |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1. Repoclear Clearing Service .....                                                                                                                            | 1    |
| 1.1 General Information .....                                                                                                                                  | 1    |
| 1.2 Operating Times .....                                                                                                                                      | 6    |
| 1.3 Registration .....                                                                                                                                         | 6    |
| 1.4 Netting Process and Settlement .....                                                                                                                       | 10   |
| 1.5 Proprietary Accounts and Client Accounts .....                                                                                                             | 18   |
| 1.6 Position Accounts .....                                                                                                                                    | 18   |
| 1.7 Collateral Accounts .....                                                                                                                                  | 19   |
| 1.8 Margin and Collateral .....                                                                                                                                | 20   |
| 1.9 Notifications to the Clearing House regarding activities of Repoclear Dealers..                                                                            | 21   |
| 1.10 RepoClear Term £GC Product .....                                                                                                                          | 24   |
| 1.11 Default Management .....                                                                                                                                  | 25   |
| 1.12 RepoClear Client Clearing .....                                                                                                                           | 26   |
| 1.13 Indirect Clearing .....                                                                                                                                   | 28   |
| 1.14 Regulatory notification: information statement on the risks and consequences of<br>concluding a RepoClear Contract or a RepoClear Term £GC Contract ..... | 30   |
| Schedule 1 Settlement Timetable – Repoclear Contracts .....                                                                                                    | 35   |
| Schedule 2 Settlement Timetable – Repoclear TERM £GC Contracts .....                                                                                           | 37   |

## 1. REPOCLEAR CLEARING SERVICE

### 1.1 General Information

The RepoClear system processes and stores trades eligible for clearing that are received from any trade matching system approved for such purposes by the Clearing House ("**Approved Trade Matching System**" or "**ATMS**"), as referred to in Regulation 62 (*Submission of details of RepoClear transactions and RepoClear Term £GC transactions through an Approved Trade Matching System*) and from any Automated Trading System ("**ATS**"), as referred to in Regulation 63 (*RepoClear transactions entered into through an Automated Trading System*) and approved by the Clearing House for such purpose.

1.1.1 *Terminology*: The following terms are defined in the "**Definitions**" Section of the Rulebook and are used in the Regulations to refer to bi-lateral trades that are registered with the Clearing House through an ATMS:

**"RepoClear Transaction"**

**"RepoClear Term £GC Transaction"**

The defined terms "**Repo Trade**", "**Bond Trade**" and "**Term £GC Trade**" are used in the Regulations to refer to trades transacted through Automated Trading Systems. See the Definitions section of the Rulebook for full definitions.

"**Term £GC**" is the term used in these Procedures to refer to term sterling general collateral trades settled in EUI, as described in this Rulebook.

For the sake of simplicity, in these Procedures we use the terms "**Eligible Repo/Bond Trades**" to refer to all repo or bond trades which are transactions eligible for clearing, whether they are received from an ATMS or ATS. Thus the term "**Eligible Repo/Bond Trades**" in these Procedures is used (for the purposes only of these Procedures) to refer to RepoClear Transactions, Repo Trades and Bond Trades as those terms are used in the Regulations.

The term "**Eligible Term £GC Trade**" is used in these Procedures to refer to all Term £GC Trades that are eligible for clearing, whether they are received from an ATMS or ATS. Thus the term "**Eligible Term £GC Trades**" in these Procedures is used to refer to RepoClear Term £GC Transactions and Term £GC Trades, as those terms are used in the Regulations.

The term "**EUI**" is used in these procedures to refer to Euroclear UK and Ireland.

Clearing Members should note that the following terms are defined in the "Definitions" section of the Rulebook:

- "**RepoClear Contract**"
- "**RepoClear Term £GC Contract**"

1.1.2 *RepoClear Functions:* The following functions are performed within the RepoClear system:

- calculation of delivery obligations;
- calculation of settlement amounts for delivery versus payment;
- calculation of initial, variation and delivery margin requirements;
- calculation of price alignment interest;
- payment and reporting of coupons; and
- reporting of RepoClear Contracts and RepoClear Term £GC Contracts and trade status.

Eligible Repo/Bond Trades and/or Eligible Term £GC Trades submitted via an ATMS or ATS (see Section 1.3.1 (*Approved Trade Matching Systems (ATMS's) and Automated Trading Systems (ATS's)*)) will be processed and stored within the RepoClear system. Information regarding RepoClear Contracts and RepoClear Term £GC Contracts and margin are disseminated via Clearing Member Reporting (see Section 1.1.4 ).

1.1.3 *Clearing House System Requirements:* In order to submit Eligible Repo/Bond Trades and/or Eligible Term £GC Trades to the Clearing House, a RepoClear Participant must be a user of at least one approved ATMS or ATS (as the case may be).

A RepoClear Clearing Member ("**RCM**") (or RepoClear Dealer acting as transferor/ transferee – see Section 1.1.7 below) must hold, or have access to (for example via a settlement agent), both cash and securities settlement accounts with an Approved Depository/Settlement System ("**ADS**") for each eligible RepoClear category of bonds they intend to register for clearing (see Section 1.4.1 (*Approved Depository/Settlement Systems ("ADS")*)). The Clearing House will publish details of further ADSs via Clearing Member bulletin.

RCMs and RDs must have a system to access RepoClear Member Reporting through a connection to the Clearing House's Clearing Member portal.

1.1.4 *Clearing Member Reporting:* A user reporting tool is provided to RCMs. All RepoClear reports will be disseminated via the Clearing House's secure password access Clearing Member portal. There will be no printed report distribution by the Clearing House.

RCMs will be able to produce reports either to print locally or to download in machine readable data-file format. Detailed VAR outputs will also be available to RCMs on a daily basis. VAR is described in Section 1.8.6(b) (*Initial Margin*).

Queries about the Clearing Member portal should be directed to the Clearing House Service Desk on +44 (0)20 7426 7200 or [servicedesk@lch.com](mailto:servicedesk@lch.com).

### 1.1.5 *Direct Input:*

For settlement of UK Government Debt Securities and RepoClear Term £GC, the Clearing House sends settlement instructions to EUI using their "**Direct Input**" facility. The Direct Input facility options recorded by EUI against the EUI Member Account of the RCM (or RepoClear Dealer acting as transferor/transferee or an agent of the RCM if so requested by the RCM) must be set to "Gross trades will be created". This allows EUI to create matched settlement instructions automatically so that participants do not need to instruct EUI for settlement of their obligations with the Clearing House.

Participation in the Direct Input facility (with the automatic matching facility enabled) is compulsory for settlement of UK Government Debt Securities and RepoClear Term £GC Contracts.

For contingency purposes, participants using Direct Input must have the capability to manually match the Clearing House's settlement instructions at EUI.

#### *RepoClear Eligible Securities and Eligible Term £GC Baskets:*

"**RepoClear Eligible Securities**" are those in respect of which Eligible Repo/Bond Trades may be registered.

"**Eligible Term £GC Baskets**" are those baskets in respect of which Eligible Term £GC Trades may be registered.

The term "**GC Baskets**" includes Eligible Term £GC Baskets.

The Clearing House will determine from time to time which securities will be RepoClear Eligible Securities and those baskets which will be Eligible Term £GC Baskets.

A list of RepoClear Eligible Securities and Eligible £GC Baskets may be viewed on the Clearing House Clearing Member portal.

Where access to the Clearing House Clearing Member portal is not available to a RepoClear Dealer, then the RepoClear Dealer's RCM must ensure that the RepoClear Dealer is provided with particulars of RepoClear Eligible Securities and Eligible Term £GC Baskets at all times. Please note that if a RepoClear Dealer is authorised to trade in any one or more Term £GC Baskets, then the obligation upon the relevant RCM extends to ensuring that the RepoClear Dealer is provided at all times with details of all Eligible Securities (as such term is used in the Term £GC Contract Terms) that are constituents of each particular Eligible Term £GC Basket in respect of which that RepoClear Dealer is authorised.

- 1.1.6 *Fees:* Fees arising from the provision of the RepoClear Service will be collected from RCMs monthly in arrears through the Clearing House's Protected Payments System ("**PPS**"). Such fees will include fees charged by the Clearing House in respect of any trades entered into by a RepoClear Dealer and submitted for registration by a RepoClear Dealer in the name of

that RCM. Fees, rates and other applicable charges will be communicated to each RCM by means of reports posted for that Clearing Member on the Clearing House Clearing Member portal.

- 1.1.7 *RepoClear Dealers acting as transferors/transferees for settlement/ delivery purposes and allocations/notifications:* An RCM (referred to as "**the RepoClear Dealer's RCM**"), who is party to a RepoClear Dealer Clearing Agreement with a RepoClear Dealer and the Clearing House, may notify the Clearing House in writing (addressed to RepoClear Operations) that such RepoClear Dealer is authorised by that RepoClear Dealer's RCM to act as transferor/transferee to fulfil settlement obligations in respect of all RepoClear Contracts (including RepoClear Term £GC Contracts) entered into by that RepoClear Dealer and registered in the name of that RepoClear Dealer's RCM, pursuant to the provisions of Regulation 16 (*Registration*) or Regulation 63 (*RepoClear transactions entered into through an Automated Trading System*) until further written notice from such RepoClear Dealer's RCM. In such circumstances, providing that the RepoClear Dealer meets all applicable requirements set out in the Regulations (as applicable to it) and these Procedures (as applicable to it) and the relevant RepoClear Dealer Clearing Agreement, the Clearing House will use all reasonable endeavours to settle with that RepoClear Dealer as requested. However, notwithstanding such notification, the RepoClear Dealer's RCM shall remain responsible with regard to such RepoClear Contracts (including RepoClear Term £GC Contracts) for meeting all obligations to the Clearing House under the Regulations (including these Procedures) and any other applicable agreements, and the Clearing House's obligations to the RepoClear Dealer in such circumstances shall be as set out in the relevant RepoClear Dealer Clearing Agreement and the Regulations.

Subject to the above, any reference in these Procedures to any act relating to settlement or delivery to be done by a "**RepoClear Participant**" in respect of any RepoClear Contract or RepoClear Term £GC Contract may be carried out by that RepoClear Dealer on behalf of the RepoClear Dealer's RCM, where the Clearing House has been notified as set out above.

Please note that any authorisation given to a RepoClear Dealer pursuant to this Section 1.1.7 may only be made in respect of all RepoClear Contracts and all RepoClear Term £GC Contracts arising as set out above – it is not possible to select only some types of RepoClear Contracts and/or some types of RepoClear Term £GC Contracts (e.g. those arising from Eligible Repo/Bond Trade initiated by that RepoClear Dealer but not those arising from Eligible Term £GC Trades).

- 1.1.8 *Information flows for RepoClear Dealers:* A RepoClear Dealer's RCM may grant access to its RepoClear Dealer to the Clearing House Clearing Member portal (including Clearing Member Reporting) by agreement with the Clearing House. However, where such access is not granted to a RepoClear Dealer or where information regarding any aspect of the RepoClear service is provided by the Clearing House to RCMs by means of Clearing Member circular or a form of communication other than the Clearing Member portal, it is the responsibility of a RepoClear Dealer's RCM to ensure that all relevant

information, including Clearing House requirements as set out to the Regulations and these Procedures or otherwise, is promptly conveyed to the RepoClear Dealer.

- 1.1.9 *Calculation of Price Differential:* The day basis for the calculation of the price differential for RepoClear Contracts involving repos is as follows:

|                                                 |               |
|-------------------------------------------------|---------------|
| UK Government Debt Securities and Eligible Term | <u>Actual</u> |
| £GC Trades:                                     | 365           |

- (a) *Miscellaneous Provisions:* The operators of some ADSs require participants holding settlement accounts to comply with certain requirements laid down by those operators with regard to the exemption from payment of withholding or other tax for certain debt securities held within those systems.

Some such operators require participants in their systems to complete and deliver to them certificates and/or provide other documentation to them in order to obtain exemption from any relevant tax.

In the event that such certificates or other documentation is required from a RepoClear Participant by the operator of any ADS in respect of any bonds which are held within that system (and which are RepoClear Eligible Securities) the RepoClear Participant, prior to using the RepoClear service in respect of those bonds, must:

- (i) provide such certificate or other documentation to the operator of the relevant ADS in accordance with the requirements of that person;
- (ii) obtain confirmation from that person that payments will be made without deduction of withholding tax; and
- (iii) confirm to the Clearing House that exemption from payment of withholding tax has been obtained.

If, after providing any such certificate and procuring the confirmation referred to in (a) above,

- the circumstances of the RepoClear Participant change such as to render any statement in that certificate untrue or incomplete, or
- where annual renewal of such documentation is required by the operator of the relevant ADS and this renewal is not obtained

the RepoClear Participant must immediately notify Sales and Relationship Management on +44 (0)20 7426 8167.

In the unlikely event that the Clearing House incurs any cost, charge, fine, penalty or other expense as a result of the failure or omission of

any RCM or RepoClear Dealer to comply with the provisions of this Section 1.1.1(a) or in respect of any withholding tax or other tax or duty in respect of any RepoClear Contract or the underlying RepoClear Eligible Securities thereof, or RepoClear Term £GC Contract or the underlying Eligible Securities (as such term is used in the RepoClear Term £GC contract terms) thereof, the RCM (or the RepoClear Dealer's RCM, as applicable) shall reimburse the Clearing House in respect of such cost, fine, penalty or other expense. The Clearing House shall be entitled to collect such reimbursement through the PPS system.

## 1.2 Operating Times

1.2.1 *RepoClear Opening Days*: The Clearing House will publish, by Clearing Member circular, details of intended opening days for RepoClear ("**RepoClear Opening Days**").

1.2.2 *Opening Hours*: RepoClear will be operational during the following hours on RepoClear Opening Days:

06:45 to 18:15 London time

1.2.3 *Trade Acceptance Hours*: A list of ATMSs and ATSS, as approved by the Clearing House, (with their respective Trade Acceptance Hours) is available on the Clearing House's website.

## 1.3 Registration

1.3.1 *Approved Trade Matching Systems (ATMS's) and Automated Trading Systems (ATS's)*: The Clearing House will only accept Eligible Repo/Bond Trades and Eligible Term £GC Trades submitted from an ATMS or ATS approved by the Clearing House in accordance with 1.1 (*General Information*) and in an acceptable message format.

Each RepoClear Participant must be fully conversant with the operating procedures and deadlines of the ATMS or ATS which it uses and has entered into such contractual and other arrangements with such ATMS or ATS as that ATMS or ATS may require.

RCMs will be informed of the Clearing House's approval of additional ATMSs and ATSS by Clearing Member circular. In certain exceptional circumstances, the Clearing House may designate any additional trade matching system to be an ATMS for a limited period of time. RCMs will, in such circumstances, be notified of such designation and the terms of such designation by means of Clearing Member circular.

A RepoClear Dealer wishing to enter into Eligible Repo/Bond Trades and/or Eligible Term £GC Trades through an ATMS or ATS for registration by the Clearing House, may only do so providing the Clearing House shall first have received written authorisation from that RepoClear Dealer's RCM for such activity in respect of that particular ATMS or ATS and only for so long as that



authorisation is not terminated or suspended in accordance with these Procedures.

Any RCM or RepoClear Dealer wishing to submit for clearing Eligible Term £GC Trades (whether submitted through an ATMS or ATS) in any Term £GC Basket, must first obtain the authorisation of the Clearing House (and in the case of a RepoClear Dealer, that RepoClear Dealer's RCM) to submit trades in respect of that basket – see Section 1.9.5 (*Request from an RCM or RepoClear Dealer to trade GC Baskets*).

- 1.3.2 *Submission for Registration:* RepoClear Participants who wish a trade to be registered by the Clearing House, must in the case of a trade executed through an ATS, elect to have that trade forwarded to the Clearing House for registration.

Where the Euroclear Trade Capture and Matching System ("ETCMS") is used, RepoClear Participants must send their trade details to the EOC operator in accordance with the rules of the EOC operator for the trades to be registered by the Clearing House. The Clearing House will then receive from the EOC Operator trade details. Any trade that does not match in ETCMS will not be sent to the Clearing House for registration and may consequently not be registered by the Clearing House.

Eligible Repo/Bond Trades must be registered with the Clearing House ahead of the cut-off time for the type of debt involved in the trade or transaction.

Eligible Term £GC Trades must be registered with the Clearing House ahead of the cut-off times for the respective parts of the service.

The cut-off time is necessary in order to deliver settlement instructions to ADSs by prescribed times. Cut-off times for each type of debt are included in Schedule 1 to 2. Changes to these times will be published via Clearing Member circular from time to time.

The Clearing House is not responsible for the performance by an operator of any ATMS or ATS of its obligations to any RepoClear Participant under any service provision agreement which that RepoClear Participant may have with that ATMS operator or ATS operator for the provision of any trade capture, validation and matching services (including, but not limited to, those services provided by the EOC operator in respect of its ETCMS service) or trading services, as the case may be.

Without prejudice to Regulation 52(e) (*Exclusion of Liability*), the Clearing House is not liable for any losses that a RepoClear Participant may suffer arising out of or in connection with any failure or omission by an ATMS operator or ATS operator to comply with any term of any such service provision agreement (including, but not limited to, the failure or omission of that ATMS operator or ATS operator to send any trade details to the Clearing House), or any inaccurate or incomplete trade details or other data sent to or received by the Clearing House from that ATMS operator or ATS operator.

### 1.3.3 *Intra-day Registration:*

Where an Eligible Repo/Bond Trade or Eligible Term £GC Trade is presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the Eligible Repo/Bond Trade or Eligible Term £GC Trade. Where the Clearing House determines to accept an:

- (a) Eligible £GC Trade, registration shall occur immediately and the Eligible £GC Trade shall be automatically replaced with (as applicable) (i) two separate RepoClear Term £GC Contracts, one between the relevant RCM and the Clearing House and the other between the same or another RCM and the Clearing House, or (ii) one RepoClear Term £GC Contract between the relevant RCM and the Clearing House and one RepoClear Term £GC Contract (as defined in the SC Regulations) between the relevant Sponsored Member and the Clearing House; or
- (b) Eligible Repo/Bond Trade, registration shall occur immediately and the Eligible Repo/Bond Trade shall be automatically replaced with (as applicable) (i) two separate RepoClear Contracts, one between the relevant RCM and the Clearing House and the other between the same or another RCM and the Clearing House, or (ii) one RepoClear Contract between the relevant RCM and the Clearing House and one RepoClear Contract (as defined in the SC Regulations) between the relevant Sponsored Member and the Clearing House.

The time of registration of a RepoClear Contract or RepoClear Term £GC Contract shall be when registration of such Contract occurs as described under Section 1.3.3(a) or (b) above (as applicable) (the "**Registration Time**").

The RepoClear system will promptly respond after processing by notifying the relevant RCM(s) and/or Sponsored Member(s) via member reporting as to the status (registration, pending or rejection) of the trade.

The Clearing House may require an RCM or Sponsored Member in whose name such trades are to be registered to transfer Collateral in respect of initial and variation margin obligations to the Clearing House prior to registration.

### 1.3.4 *Rejected Trades:* Trades submitted for registration which:

- (a) do not meet the Product eligibility criteria as set out in the Product Specific Contract Terms and Eligibility Criteria Manual and published on the Clearing House's website from time to time; or
- (b) contain invalid or incomplete message data; or
- (c) where applicable, an Agent Member does not affirm via ClearLink API that it is sponsoring, within 30 minutes of a trade being submitted to such Agent Member by its corresponding Sponsored Member; or
- (d) for any other reason are not eligible for registration

will be rejected by the Clearing House. If at any time the Clearing House does not register a trade presented for registration, the RepoClear system will notify the contracting parties, via Clearing Member Reporting, indicating that the trade has been rejected and the reason for rejection.

The Clearing House will also reject a trade if it:

- (i) has been originated by a RepoClear Dealer through an ATS in respect of which that RepoClear Dealer is not authorised by the Clearing House; or
- (ii) is in respect of an Eligible Term £GC Basket and the RepoClear Participant initiating such trade is not authorised by the Clearing House to submit trades in respect of that basket.

RCMs should note that when a trade is rejected by the Clearing House no RepoClear Contracts (or RepoClear Term £GC Contracts, as the case may be) arise between the Clearing House and the RCMs concerned and (subject to Regulation 52(e) (*Exclusion of Liability*)) the Clearing House (that is, LCH Limited, and each other undertaking which is a member of the LCH Group, their officers, employees and agents) has no liability in respect thereof.

- 1.3.5 *Amendment, Cancellation and Deletion of Registered Trades:* Once a trade has been registered in the RepoClear Service for clearing as a RepoClear Contract or RepoClear Term £GC Contract, as the case may be, it cannot be cancelled or deleted.

RepoClear Participants may, however, wish to agree bi-laterally to submit an equal but opposite transaction to that which gave rise to any RepoClear Contract or RepoClear Term £GC Contract, as the case may be.

The contract terms on which a trade is registered with the Clearing House are set out in the Clearing House Rulebook and, in particular, in the Product Specific Contract Terms and Eligibility Criteria Manual. It should be noted that no amendment or modification or addition to these contract terms is permitted. Such prohibition includes both economic and standard terms.

The Clearing House is aware that parties to the original "trade" may include additional or other terms in their dealings. For example, parties sometimes "trade" on the basis of estimated coupon rates for index linked bonds and then adjust the cash value of the trade once the exact coupon rate is known. RepoClear Participants should be aware that once a trade is submitted for clearing and is registered in the RepoClear service as a RepoClear Contract or a RepoClear Term £GC Contract, as the case may be, any such terms between the original trading parties fall away and do not form part of the contract registered with the Clearing House.

- 1.3.6 *Substitution – Eligible Repo/Bond Trades only:* To effect a substitution of securities through RepoClear with regard to RepoClear Contracts arising pursuant to Regulation 16 (*Registration*), RepoClear Participants can contact their original counterparty and submit new RepoClear Transactions in accordance with the Rulebook.

With regard to RepoClear Contracts arising pursuant to Regulation 63 (*RepoClear transactions entered into through an Automated Trading system*) (that is, through an ATS), RepoClear Participants must contact the relevant ATS, and substitution may only be effected in accordance with the rules of the relevant ATS and if the rules so permit.

#### 1.3.7 Substitution – *Term £GC Contracts only*

In relation to the Term £GC Contracts specifically, substitution transactions may be automatically generated by EUI to support the return of the correct securities to the original giver. Where these transactions fail the Clearing House may hold securities until the required substitution takes place and the correct securities can be returned. Securities which are allocated to participants as a result of the settlement of Term £GC trades must be available for substitution using standard CREST Term DBV functionality. Any costs incurred by the Clearing House as a result of substitution failure due to unavailability of securities may be charged to the Clearing Member of the participant who fails to support the requested substitution. The Clearing House will deduct such costs, charges and expenses via that Clearing Member's PPS account.

### 1.4 Netting Process and Settlement

Each day the RepoClear system will run netting processes to determine the delivery obligations for same day or future settlement through ADSs. The netting processes will take place after each of the registration deadlines, as defined in Schedule 1 and 2.

1.4.1 *Approved Depository/Settlement Systems ("ADS")*: The Clearing House will only allow settlement through the following Approved Depository/Settlement Systems (using the Clearing House's specified settlement account numbers):

| Category                                                                            | Clearing House RepoClear Agent | ADS | Account Number         | Power of Attorney       |
|-------------------------------------------------------------------------------------|--------------------------------|-----|------------------------|-------------------------|
| United Kingdom Government Debt Securities (other than RepoClear Term £GC Contracts) | N/A                            | EUI | GIKAV                  | No (but see note below) |
| Term £GC Baskets for RepoClear                                                      | N/A                            | EUI | LCSGC (Member Account) | No (but see note below) |

| Category                                                                                                                                                                                                                                                                                                                                                                              | Clearing House RepoClear Agent | ADS | Account Number | Power of Attorney |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----|----------------|-------------------|
| Term £GC Contracts                                                                                                                                                                                                                                                                                                                                                                    |                                |     | TERMSGC)       |                   |
| Note: settlement of UK Government Debt Securities uses the EUI Direct Input facility. This provides an effect similar to that of a Power of Attorney agreement, such that an instruction sent by the Clearing House to EUI simultaneously generates a counterparty settlement instruction without the need for a separate matching instruction to be sent by the counterparty itself. |                                |     |                |                   |

An RCM must inform the Clearing House of its full settlement account details for settlements resulting from RepoClear Contracts and RepoClear Term £GC Contracts, including cash payment details for currencies supported by RepoClear. Any RepoClear Dealer's RCM who notifies the Clearing House that such RepoClear Dealer may act as transferor/transferee in accordance with Section 1.1.7 above, must ensure that such RepoClear Dealer informs the Clearing House of its settlement account details.

RepoClear Participants must be fully conversant with the operating procedures and deadlines of their selected ADS(s) for each of the above categories for which it wishes to register trades.

#### 1.4.2 *Netting Processes: RepoClear Contracts only*

All RepoClear Contracts arising from Eligible Repo/Bond Trades (that is, those contracts arising from registration of RepoClear Transactions, Repo Trades or Bond Trades) will be netted by RepoClear at the Participant, securities issue, and ADS level.

##### UK Government Debt Securities

One netting process will be executed every business day and will include all RepoClear Contracts for settlement on that business day.

##### RepoClear Term £GC Contracts only

RepoClear Term £GC contracts will be netted by RepoClear at the Participant level, as specified in the contract terms.

The results of netting are subject to settlement shaping. The netting process will commence at a predetermined London time and RepoClear Participants will be informed of results via Clearing Member Reporting. The shaping size, process and report times are shown in the table below, any changes to these will be notified to RCMs by Clearing Member circular. The Netting Process will produce delivery/receipt obligations for securities and for cash, for each

RCM and for each RepoClear Dealer who has been appointed as transferor/transferee.

Participants should be aware that settlement instructions provided by the Clearing House to EUI in relation to netted obligations are provided in advance of the due date of such obligations and the settlement operations of the CREST Term DBV system may, in accordance with the rules of EUI, result in delivery or receipt of cash or securities prior to the date on which legal obligations in respect of such cash or securities falls due.

| Category                                  | Shape size | Start Netting Process | RepoClear Participants Informed by |
|-------------------------------------------|------------|-----------------------|------------------------------------|
| United Kingdom Government Debt Securities | £50mn      | 11:30                 | 12:30                              |
| Term £GC Baskets                          | £250mn     | 14:30                 | 15:00                              |

- 1.4.3 RCMs (and those RepoClear Dealers who have been granted access to Clearing Member reporting) will be informed of their same day or future (as the case may be) settlement obligations following the completion of the netting process. Notification will be via Clearing Member reporting. *Settlement:* Each RCM must ensure that sufficient securities are available on intended settlement dates in order to meet their settlement obligations and that all applicable requirements of the relevant ADS are met at all relevant times.

The Clearing House will send its settlement instructions to each of the ADSs. For settlement of UK Government Debt Securities and RepoClear Term £GC Contracts, the Direct Input facility of EUI must be used.

Failure to ensure compliance with the requirements of these Procedures and the requirements of the relevant ADS with regard to matching and settlement can cause delays for other RCMs and may result in costs being incurred by the Clearing House which will be charged back to the relevant RCM (see in particular Section 1.4.4 (*Failed and Partial Settlement*)).

The Clearing House monitors performance in respect of all RepoClear delivery obligations. If an RCM does not fully comply with its delivery obligations, the Clearing House will regard this as an incident of poor settlement performance. Contact will be made with the RCM concerned and the Clearing House shall be entitled to require immediate remedial action.

A RepoClear Participant shall ensure that:

- settlement relating to all RepoClear Contracts and RepoClear Term £GC Contracts occurs in the first available settlement cycle following instruction.

- it has sufficient cash and/or credit facilities in place in respect of its nominated accounts held at each ADS to allow RepoClear Contracts and RepoClear Term £GC Contracts to settle on their intended settlement dates in the settle cycles specified above.

Section 1.4.4 (*Failed and Partial Settlement*) describes the procedures for the settlement of failed and partial settlement.

To reduce the occurrence of settlement fails it is compulsory for RepoClear Participants to participate in securities borrowing programs in good faith where these are provided by the ADSs. The extent of the borrowing facility should be commensurate with the value of obligations due to the Clearing House. RepoClear Participants should not amend any instructions issued over their account utilising the Direct Input facility.

The settlement timetable for United Kingdom Government Debt Securities is given in 1.

The settlement timetable for RepoClear Term £GC Contracts (i.e. Term £GC Baskets) is given in 2.

All securities delivered to the Clearing House, whether forming part of RepoClear Contracts or RepoClear Term £GC Contracts, shall form one fungible pool which the Clearing House may use in its absolute discretion in order to meet its obligations arising under this Rulebook.

#### 1.4.4 *Failed and Partial Settlement*

- (a) Provided that the Clearing House has the facility to borrow securities, it may seek to ensure settlement by borrowing securities in a case where a RepoClear Participant fails to deliver securities to the Clearing House.

Costs, charges and expenses incurred by the Clearing House in connection with a failure to deliver securities may be charged back by the Clearing House to any RCM who fails or omits to deliver or procure delivery as required by this Rulebook, or, where a RepoClear Dealer fails or omits to deliver or procure delivery, to the RepoClear Dealer's RCM. The Clearing House will deduct such costs, charges and expenses via that Clearing Member's PPS account.

Notification of failed settlements will be made via Clearing Member reporting.

Where, for whatever reason, an RCM fails to take delivery of a RepoClear Eligible Security or Eligible Securities (as such term is used in the RepoClear and Term £GC Contract Terms, as the case may be) from the Clearing House, all costs, charges and expenses incurred by the Clearing House in connection with such failures may be charged by the Clearing House to the RCM who fails to accept delivery as required by the Regulations and these Procedures. Equally, any costs,

charges and expenses incurred by the Clearing House as a result of the action of an RCM to prevent a partial settlement, will be notified and charged to that RCM. When possible, the Clearing House will seek to minimise these costs, charges and expenses.

In the event the Clearing House is unlikely to receive sufficient securities to ensure settlement on the required settlement date, the buying RepoClear Participant may be required by the Clearing House to accept a partial settlement. Details of any partial settlement will be provided subsequently through Clearing Member reporting.

### **United Kingdom Government Debt Securities - RepoClear Contracts only**

A failed settlement or a settlement where a RepoClear Participant has been required to accept partial settlement with regard to a RepoClear Contract will not be re-entered into the next day's netting process.

RepoClear Participants are not permitted to force partial settlement on to the Clearing House. The Clearing House reserves the right to introduce charges in the event an RCM forces partial settlement onto the Clearing House. RCMs will be advised of the introduction of these charges via a Clearing Member circular.

### **Term £GC Baskets – RepoClear Term £GC Contracts**

Where the buying RepoClear Participant is required to accept partial settlement, the partial instructions created by the Clearing House will be created using the EUI Direct Input facility and therefore will not require matching on the EUI system by the RCM (or their agent) or RepoClear Dealer (acting as transferee) or their agent.

Where an RCM is unable to receive securities against payment by the ADS settlement deadline, the Clearing House may, with the consent of that RCM, instruct payment, partially or in full, for the Clearing Member's settlement obligations via their Sterling PPS account. Failed settlements will be re-input into netting unless the trade is due to mature on the next business day.

- (b) Where the Clearing House gives settlement instructions using the EUI Direct Input facility and, as a result of an error made by the Clearing House in carrying out such action, a RepoClear Participant suffers a loss of interest, that RCM (or if such loss is suffered by a RepoClear Dealer, the RepoClear Dealer's RCM) may submit to RepoClear Operations details of any claim the RCM, on its own behalf or on behalf of the RepoClear Dealer, as the case may be, wishes to make for reimbursement of such loss of interest.
  - (i) *Partial Delivery and Default:* In the event that a Default Notice is issued by the Clearing House in respect of an RCM ("**the Defaulting Clearing Member**") and:



- (A) the Defaulting Clearing Member has (either by itself or by its transferor/s), at the time of the issue of that Default Notice, delivered to the Clearing House some but not all securities necessary to satisfy its delivery and settlement obligations to the Clearing House in respect of all RepoClear Contracts and RepoClear Term £GC Contracts, to which it is party and which are due for settlement prior to the issue of such Default Notice; or
- (B) the Clearing House has, at the time of the issue of that Default Notice, delivered to the Defaulting Clearing Member or any one of more of its nominated transferees, some but not all securities due to be delivered by the Clearing House in respect of all RepoClear Contracts and RepoClear Term £GC Contracts to which it is a party and which are due for settlement prior to the issue of that Default Notice, because any one or more RCMs (or any one or more of their transferors) has not delivered in a timely fashion such full amount to the Clearing House as those RCMs are required to make in accordance with their obligations to the Clearing House,

the Clearing House shall allocate such securities as are delivered to the Clearing House by the Defaulting Clearing Member or its transferors in the circumstances set out in (A), or as are delivered by the Clearing House to the Defaulting Clearing Member or any one or more of its transferees in the circumstances set out in (B) above, as the case may be to each of those RepoClear Contracts or RepoClear Term £GC Contracts in accordance with the following provisions. For the purpose of this Section, "delivered" means that relevant securities have successfully completed the settlement process in the relevant ADS.

Delivered securities will be allocated by the Clearing House to each such registered RepoClear Contract or RepoClear Term £GC Contract, as the case may be, pro rata as explained in the examples set out below.

For example, if the Defaulting Clearing Member has been advised that a net amount of 5,000 is due from it but only delivers 2,500 (by itself or by any one or more of its nominated transferors), then such delivery will be deemed by the Clearing House to satisfy only 50% settlement in respect of each such registered RepoClear Contract or RepoClear Term £GC Contract. Similarly, if the Defaulting Clearing Member has been advised that a net amount of 5,000 is due to be delivered to it by the Clearing House, but only 2,500 can be delivered, as described above, then such delivery will be deemed by the Clearing House to satisfy only 50% settlement in respect of each such registered RepoClear Contract.

Where the Defaulting Clearing Member has one or more RepoClear Dealers, then such pro rata allocations will be made in respect of the net amount of securities due to or from the Defaulting Clearing

Member as the case may be in respect of RepoClear Contracts or RepoClear Term £GC Contracts arising from its own trading activities ("**the RCM Trading Activities**") and separate pro rata allocations will be made in respect of each net amount of securities due in respect of RepoClear Contracts or RepoClear Term £GC Contracts arising from the trading activities of each of its RepoClear Dealers ("**the RepoClear Dealer Trading Activities**"). For example, if a net amount of 4,000 is due from that RCM in respect of the RCM Trading Activities, and a net amount of 2,000 from RepoClear Dealer "A" and 1,000 in respect of RepoClear Dealer "B's" respective RepoClear Dealer Trading Activities, (making a total due of 7,000) and the RCM delivers 2,000, RepoClear Dealer A delivers 2,000, and RepoClear Dealer B delivers 500, (making a total of 4,500 delivered) then the following pro rata allocation will be made by the Clearing House: each of the RepoClear Contracts arising from the RCM Trading Activities will be deemed to have been settled to the extent of 50%; each RepoClear Contract arising from RepoClear Dealer A Trading Activities will be deemed fully settled; and each RepoClear Contract arising from RepoClear Dealer B's Trading Activities, will be deemed to have been settled to the extent of 50%.

Such allocations are without prejudice to the Clearing House's powers under the Default Rules and the Clearing House may use any of its powers and take such steps as it deems fit under the Default Rules in respect of the Defaulting Clearing Member.

- (c) *Failed cash settlements:* For cash only transfer messages where the Clearing House utilises the EUI Direct Input facility, the Clearing House will send a SWIFT message to EUI requesting a debit to the relevant cash account of the RCM (or RepoClear Dealer where it is acting as a transferor/transferee).

*Cancellation of Original Settlement Obligations:* For RepoClear Eligible Securities settlement instructions will be cancelled where a partial settlement has been imposed in relation to a RepoClear Term £GC settlement.

RepoClear Participants' settlement instructions will have to be cancelled by both the Clearing House and the RepoClear Dealer.

#### 1.4.5 *Coupon Transfer and Reporting:* Repo Trades and RepoClear Repo Transactions

Where a coupon is payable on a bond, it is paid by the issuer, via the ADS, to the current holder (buyer) of the security. However, in a classic repo transaction, the coupon amount is due to the original seller and should be received on the date the coupon is paid. Therefore, the Clearing House will claim the amount from the Buying Clearing Member in respect of the security, and, subject to payment to the Clearing House by that Buying Clearing Member, the Clearing House will pay the coupon amounts to the Selling Clearing Member.

Some depositories acting on behalf of the bond issuer levy charges for the payment of coupons. In these circumstances, for classic repo transactions the Clearing House will claim the gross coupon from the Buying Clearing Member receiving the coupon payment from the depository, and, subject to payment to the Clearing House by that Buying Clearing Member, the Clearing House will then pay the gross coupon amount to the Selling Clearing Member.

Thus, the RCM receiving the coupon payment from the depository will bear the cost of any fees charged by the depository in relation to that coupon payment.

The Clearing House will pay or call coupon payment amounts via RCMs' PPS accounts on the day the coupon is due. Details of these amounts will be available in Clearing Member reporting.

All coupon payments in respect of RepoClear Contracts arising from RepoClear Repo Transactions or Repo Trades entered into by a RepoClear Dealer will be paid or called by the Clearing House via the PPS account of the RCM of that RepoClear Dealer.

### **Bond Trades and RepoClear Bond Transactions**

Where:

- the record date of the bond is one day prior to payment date; or,
- the bond has an early record date and trades on a negative accrued interest basis up to the payment date,

the Clearing House will not handle coupon payments of cash trades, as they will be factored into the closing cash amounts.

### **Term £GC Trades**

No coupon realignment will be performed by the Clearing House in respect of Term £GC contracts.

- 1.4.6 *Insolvency or other default of an issuer:* RCMs (and RepoClear Dealers insofar as these Regulations and Procedures apply to them) are advised that their obligations, set out in this Rulebook and any other relevant agreements with the Clearing House including but not limited to obligations regarding settlement and delivery of RepoClear Eligible Securities, or Eligible Securities (as such term is used in the RepoClear Term £GC Contract Terms) as the case may be, shall endure notwithstanding any suspension of trading in such securities (including trading on any trading platform) and notwithstanding that the issuer of such securities passes a resolution or a court makes an order for the winding up of the issuer or a receiver, administrative receiver, administrator, trustee or similar officer is appointed in respect of all or any part of its undertaking, or the issuer enters into a composition or voluntary arrangement with or for the benefit of its creditors or any other event of a similar nature occurs.

Where for any reason (including but not limited to the making of any court, regulatory or administrative order in respect of an issuer or the making of an administration or winding up order or similar order in respect of an issuer) settlement of any RepoClear Eligible Securities or Eligible Securities (as such term is used in the RepoClear Term £GC Contract Terms) as the case may be is suspended by any ADS, the Clearing House may, in its discretion, cash settle any RepoClear Contract or RepoClear Term £GC Contract in such terms between the relevant RCMs (as Buyer and Seller) as it deems appropriate in the circumstances.

## 1.5 Proprietary Accounts and Client Accounts

### 1.5.1 Proprietary Accounts

A RCM may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts

- (a) a position account; and
- (b) a collateral account

### 1.5.2 Client Accounts

#### (a) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) of the General Regulations and Section 1.12 (*RepoClear Client Clearing*) below, a RCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (i) Individual Segregated Accounts;
- (ii) Identified Client Omnibus Net Segregated Accounts; and/or
- (iii) Affiliated Client Omnibus Net Segregated Accounts.

#### (b) Each Client Account will map to two or more sub-accounts:

- (i) one or more position accounts; and
- (ii) a collateral account.

## 1.6 Position Accounts

1.6.1 *Position-Keeping Accounts*: No distinction will be made in either Clearing Member Accounts or RepoClear Accounts between securities forming part of RepoClear Contracts arising from RepoClear Repo Transactions, RepoClear Bond Transactions, Bond Trades or Repo Trades and no distinguishing markers will be available in the RepoClear system to distinguish between such securities.

- 1.6.2 *Identification:* For identification purposes each RCM is assigned a unique three-character mnemonic. An RCM's position and financial information are further identified by a single character code: H for RepoClear Clearing House Business and C for RepoClear Client Clearing Business. The H account is obligatory, the C account will be used in respect of any RCM which engages in RepoClear Client Clearing Business. An RCM's RepoClear positions are also recorded within the RepoClear system in RepoClear Accounts.
- 1.6.3 *RepoClear Accounts:* The RepoClear system will provide position keeping accounts for RCMs. Each RepoClear Account must map to either a RCM's Proprietary Account or a Client Account.

A registered RepoClear Contract or RepoClear Term £GC Contract will be identifiable through Clearing Member Reporting by the code entered on the trade confirmation by the RepoClear Participant or by the ATS, where applicable. Each RepoClear Contract or RepoClear Term £GC Contract will also be assigned a unique trade identifier by the Clearing House. Clearing Member Reporting will allow RCMs to identify all RepoClear Contracts and RepoClear Term £GC Contracts registered in their name, and the submitting RepoClear Dealer, where applicable.

## 1.7 Collateral Accounts

Clearing Member Accounts and Client Accounts have collateral accounts within them. These are, inter alia, used to record cash balances and securities/documentary credits. Information contained within a position-keeping account is consolidated with the associated collateral account, as follows:

### 1.7.1 *Relationship with Position-Keeping Accounts*

| Position-Keeping Account |        | Collateral Account |
|--------------------------|--------|--------------------|
| H                        | House  | H                  |
| C                        | Client | C                  |

Each client "C" position-keeping account and the client "C" collateral account of a RCM may hold any number of segregated sub-accounts. Each Individual Segregated Account of the RCM will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account and each Omnibus Segregated Account will map onto one such segregated sub-account in the client "C" position-keeping account and one such segregated sub-account in the client "C" collateral account.

- 1.7.2 *Other Accounts:* The Clearing House may, at its discretion, open further accounts.
- 1.7.3 *Default Fund (DF) Account:* Each RCM's Default Fund Contribution is held on a separate account. In accordance with the Default Rules this account attracts a rate of interest as determined from time to time by the Clearing House. The Default Fund account code is F.

## 1.8 Margin and Collateral

Margin and Collateral requirements in respect of RepoClear positions are made up of three basic components:

1.8.1 Variation margin

1.8.2 Delivery margin

1.8.3 Initial margin

These three components are described below. Further detail on the margin and Collateral requirements in respect of RepoClear positions is available in the RepoClear Service Description. Technical questions should be directed to the Clearing House Risk Department at [FLRrepoexchanges@lch.com](mailto:FLRrepoexchanges@lch.com)

1.8.4 *Variation Margin:* Variation margin represents the change in the net present value (NPV) of a RepoClear Contract or RepoClear Term £GC Contract over a one day period (last RepoClear Opening Day minus current RepoClear Opening Day). All RepoClear Contracts and RepoClear Term £GC Contracts will be marked to market at least daily, in accordance with Regulation 24 (*Settlement and Revaluation: Clearing Process System*). Changes in the NPV of RepoClear Contracts and RepoClear Term £GC Contracts, based on the mark to market calculation, will be paid or received in cash, in the relevant currency of the Contract, on an assumed settlement basis.

With respect to RepoClear Term £GC Contracts, variation margin based on the mark to market calculation, will be calculated for the repo interest only, and Collateral in respect of the variation margin obligations will be transferred to or from the Clearing House in cash on a daily basis in the currency of the relevant RepoClear Term £GC Contract on an assumed settlement basis.

Separate variation margin calculations are performed for a Clearing Member's Proprietary Account and for each "C" Client Account which is a sub account of a RCM's Client Account. No offset between the "C" and the "H" accounts is allowed and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

(a) *Price Alignment Interest:* The payment of Collateral in respect of variation margin (the change in NPV) on a daily basis would potentially distort the pricing mechanisms for RepoClear Contracts and RepoClear Term £GC Contracts cleared through the Clearing House. In order to minimise the impact of the variation margin obligation, the Clearing House will, for each RCM, either charge interest on cumulative amounts received by the RCM in respect of variation margin obligations or pay interest on cumulative amounts paid.

1.8.5 *Delivery Margin – RepoClear Contracts only:* Delivery margin is designed to protect the Clearing House against the possible losses caused by the different timings of the payments of variation margin and the settlement of positions in

the event of an RCM failing to deliver bonds or in the event of an RCM default.

Delivery margin will be calculated based on cumulative variation margin by delivery. If an RCM is long cumulative variation margin on a net settlement position in a security for settlement on day 's', it will be called for delivery margin equal to the cumulative variation margin on s-2.

If on the other hand, an RCM is short cumulative variation margin on a net settlement position in a security for settlement on day 's', it will be called for delivery margin equal to the cumulative variation margin on s-1. Delivery margin will not be called in respect of RepoClear Term £GC Contracts.

- 1.8.6 *Initial Margin:* The Clearing House requires RCMs to transfer Collateral in respect of the initial margin obligation to the Clearing House. Expected Shortfall will be used to calculate initial margin requirements for RepoClear Contracts and RepoClear Term £GC Contracts.

Separate initial margin calculations are performed for a Clearing Member's Proprietary Account and for each "C" Client Account which is a sub account of a RCM's Client Account. No offset between the "C" and the "H" accounts is allowed and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

- (a) *Margin Parameters:* RCMs will be notified by the Clearing House of alterations to margin parameters no later than the RepoClear Opening Day before calls are made based on the new parameters.
- (b) *Expected Shortfall* General information on Expected Shortfall - including the Clearing House's Margin Advisor and RepoCalc may be obtained by phoning +44 (0)20 7426 6338. Technical questions should be directed to the Clearing House Risk Department at [FLRrepoexchanges@lch.com](mailto:FLRrepoexchanges@lch.com).

- 1.8.7 *Intra-day Margin Calls:* In accordance with the Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. To the extent that additional Collateral may be required, intra-day margin calls result in a request for cash Collateral via the PPS.

## 1.9 Notifications to the Clearing House regarding activities of Repoclear Dealers

- 1.9.1 *Notification of transferor/transferee capacity:* Any notification by an RCM authorising a RepoClear Dealer to act as transferor/transferee as set out above in Section 1.1.7 must be made in writing addressed to the Head of RepoClear Operations, and delivered to the Clearing House in accordance with Section 1.9.6 (*Requirements for giving Notice*) below. Such notification must contain the name of the RCM, the name of the RepoClear Dealer (as it appears on the relevant RepoClear Dealer Clearing Agreement) and the date upon which such RepoClear Dealer may commence to act as transferor/transferee ("**the commencement date**"). It must be received by the Clearing House no less

than 20 business days before the commencement date. The RepoClear Dealer's RCM must ensure that the Clearing House is advised of all relevant details regarding cash and securities accounts held by that RepoClear Dealer at relevant ADSs.

- 1.9.2 *Termination or suspension of transferor/transferee capacity:* An RCM may terminate or suspend such notification at any time, providing that it gives no less than 20 business days' written notice of such termination or suspension to the Clearing House in accordance with 1.9.6 below. Any such notice must contain the name of the RCM, the name of the RepoClear Dealer (as it appears on the relevant RepoClear Dealer Clearing Agreement) and the date upon which termination or suspension is to become effective. Where any such notice is one requesting suspension it shall identify the period of time for which such suspension is sought.
- 1.9.3 *Authorisation of a RepoClear Dealer to trade on an approved Automated Trading System:* Any RCM wishing to authorise a RepoClear Dealer (with whom it has entered into a RepoClear Dealer Clearing Agreement with the Clearing House) to trade on any one or more approved ATSS (see Section 1.3.1 (*Approved Trade Matching Systems (ATMS's) and Automated Trading Systems (ATS's)*) above must do so in writing addressed to the Head of RepoClear Operations. Such written authorisation must be delivered to the Clearing House in accordance with Section 1.9.6 (*Requirements for giving notice*) below and received by the Clearing House no less than 2 business days before the earliest date referred to in paragraph (e) of Section 1.9.3 (*Authorisation of a RepoClear Dealer to trade on an approved Automated Trading System*) below and must contain the following particulars:
- (a) Name of the RCM.
  - (b) Name of the RepoClear Dealer as it appears on the relevant RepoClear Dealer Clearing Agreement.
  - (c) Email address of the RepoClear Dealer to which confirmation of receipt of any notice of termination (see 1.9.4 below) is to be given by the Clearing House.
  - (d) Name of each ATS on which the RepoClear Dealer is authorised to trade.
  - (e) Date upon which the RepoClear Dealer may commence to trade on each identified ATS.
  - (f) Settlement account and cash account details for the RepoClear Dealer for ADSs, including agent details if appropriate.

Such authorisation shall remain valid and in effect until such time as the RepoClear Dealer's RCM gives notice of termination in accordance with Section 1.9.4 (*Termination of authorisation to trade on an approved Automated Trading System*) below.



- 1.9.4 *Termination of authorisation to trade on an approved Automated Trading System:* An authorisation given in accordance with Section 1.9.3 (*Authorisation of a RepoClear Dealer to trade on an approved Automated Trading System*) above may be terminated by the RCM in accordance with the following procedural and other requirements:
- (a) A notice of termination may be given at any time but must be given in writing addressed to the Head of RepoClear Operations, at the Clearing House, in accordance with Section 1.9.6 (*Requirements for giving notice*) below.
  - (b) Such notice of termination must contain the name of the requesting RCM, the name of the RepoClear Dealer as it appears on the relevant RepoClear Dealer Clearing Agreement, the name of each ATS in respect of which authorisation is being terminated, a fax or email address to which confirmation of receipt of such notice may be sent by the Clearing House to the RCM and must be signed by a person authorised by the RCM to give such notice.
  - (c) Any such notice given to the Clearing House on a business day for the RepoClear service shall be effective one hour after confirmation of receipt of such notice has been given by the Director, Business Operations, to the RCM at the fax number or email address specified in the notice, and to the RepoClear Dealer at the fax or email notified to the Clearing House by the RCM for such purpose in accordance with Section 1.9.3 (*Authorisation of a RepoClear Dealer to trade on an approved Automated Trading System*).
  - (d) Any such notice to terminate given to the Clearing House on a day which is not a business day for the RepoClear service shall become effective one hour after the commencement of the RepoClear service on the next following business day.
  - (e) The Clearing House may rely on any such written notice to terminate which reasonably appears to the Clearing House to be given by an RCM without the need for the Clearing House to make any checks or carry out any verification regarding the origin or authenticity of such a request. The Clearing House shall be under no obligation to inquire into the authority of the signatory of any such written notice or to inquire into the reasons for giving any such notice.
  - (f) Following receipt of any such notice the Clearing House will notify all RepoClear Dealers and RCMs that the RepoClear Dealer identified in such notice is no longer able to submit RepoClear eligible trades to the Clearing House for registration. Any failure by the Clearing House to give such notice shall not invalidate the termination.
- 1.9.5 *Request from an RCM or RepoClear Dealer to trade GC Baskets:* Any RCM wishing to trade in any Eligible GC Basket must first obtain the Clearing House's permission. Any RepoClear Dealer wishing to trade in any Eligible GC Basket must also obtain the Clearing House's prior permission and such

request for permission must be submitted to the Clearing House by that RepoClear Dealer's RCM. Such request must, in either instance, be addressed to the Director, RepoClear and delivered to the Clearing House in accordance with Section 1.9.6 (*Requirements for giving notice*) below.

A request for permission must be received by the Clearing House no less than 20 Business Days before the earliest date referred to in paragraph (c) of Section 1.9.5 (*Request from an RCM or RepoClear Dealer to trade GC Baskets*) below and must contain the following particulars:

- (a) Name of the RCM or RepoClear Dealer, as the case may be, as it appears on the relevant RepoClear Dealer Clearing Agreement.
- (b) Email address of the RCM or RepoClear Dealer to which confirmation of receipt of any notice of termination (see Section 1.9.6 (*Requirements for giving notice*) below) is to be given by the Clearing House.
- (c) Date upon which the RCM or RepoClear Dealer wishes to commence to trade in the relevant Eligible Term £GC Basket.
- (d) Name of each basket for which permission is sought.
- (e) Confirmation of applicable settlement arrangements in respect of each Eligible Term £GC Basket, for which permission is sought.

The Clearing House will give such permission in respect of each GC Basket requested, providing that it is satisfied that appropriate settlement arrangements, meeting the Clearing House's requirements, can be put in place in respect of the settlement of all securities eligible for allocation in each such GC Basket. Such authorisation shall remain in place until terminated by the Clearing House.

Any trade in a GC Basket which would otherwise be eligible for registration by the Clearing House will be rejected by the Clearing House if either of the RepoClear Participants participating in such trade has not previously been authorised by the Clearing House in respect of that GC Basket or if such an authorisation has been withdrawn by the Clearing House or by a RepoClear Dealer's RCM.

- 1.9.6 *Requirements for giving notice:* Where any notification, authorisation or notice is to be given by an RCM under this Section 1.9 or is to be given by an RCM in order to terminate any RepoClear Dealer Clearing Agreement, such notice shall be given in writing and may be delivered by hand or sent by first class mail to the relevant addressee at the Clearing House, Aldgate House, 33 Aldgate High Street, London EC3N 1EA,.

## 1.10 RepoClear Term £GC Product

- 1.10.1 *Introduction:* This Section sets out additional provisions which apply to Eligible Term £GC Trades submitted either through an ATMS ("**RepoClear**

**Term £GC Transaction") or through an ATS ("RepoClear Term £GC Trade").**

- 1.10.2 *Registration of Eligible Term £GC Trades:* Details of the Term £GC Baskets are set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing Member Portal from time to time.
- 1.10.3 *Netting and Allocation Process:* Following the registration deadline time on each Term £GC business day, the Clearing House instructs EUI of:
- The net cash position with respect to repo interest due for settlement on the next Term £GC business day for each RepoClear Participant in respect of all relevant Term £GC Basket trades to be settled.
  - The net position due for settlement on the current business day for each RepoClear Participant in respect of each Term £GC Basket to be settled. Details of the instructions are made available to the RepoClear Participant via the Clearing Member portal.
  - Allocation of specific securities occurs automatically by means of the Term DBV process operated by EUI pursuant to its rules and procedures. Securities are allocated by EUI and the Clearing House has no responsibility for such allocation. In order to ensure the smooth return of collateral, the RepoClear Participant who receives the allocated securities should not on-deliver securities received through settlement of Term £GC Basket positions outside of the EUI Term DBV service.
- 1.10.4 *Eligibility of Bonds for allocation to Eligible Term £GC Trades:* Securities eligible for allocation to trades in the Term £GC Basket ISIN are defined on the Clearing Member Portal. Definition is by reference to a EUI UBG Class. However, if new securities are added to the EUI UBG Class that do not fit the risk profile desired by the Clearing House of the Term £GC Basket, the Clearing House may exclude such securities from the Term £GC Basket definition.

Where the Clearing House excludes any such securities, details will be posted on the Clearing Member Portal.

## 1.11 Default Management

- 1.11.1 *RepoClear Contributions:* RepoClear Contributions are payable in Pounds Sterling.
- 1.11.2 *Further Payments of RepoClear Contributions:* RepoClear Contributions will be called via PPS on the fourth business day of each month or otherwise pursuant to a determination of a RepoClear Contribution under the Default Rules.

Excess RepoClear Contribution amounts due to RepoClear Clearing Members following a RepoClear Determination Date will (subject to the Default Rules) be repaid to RepoClear Clearing Members PPS accounts on the fourth business day immediately following such RepoClear Determination Date.

Interest on RepoClear Contributions will be paid to RepoClear Clearing Members' PPS accounts on the fifth business day of each month in respect of the "**interest accrual period**" occurring immediately prior to each such business day. Interest is calculated in respect of each "**interest accrual period**", which commences on (and includes) the fourth business day of each month (each, a "**RepoClear Reset Day**") and ends on (and includes) the calendar day immediately before the next RepoClear Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on RepoClear Contributions is negative, interest shall be payable by RepoClear Clearing Members to the Clearing House.

- 1.11.3 *Loss Distribution Charges:* Loss Distribution Charges called under the Default Rules shall be Pounds Sterling.

## 1.12 RepoClear Client Clearing

### 1.12.1 *RepoClear Client Clearing – Ancillary Documentation*

- (a) *Security Deed:* Unless specified otherwise by the Clearing House, a RepoClear Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.
- (b) *Prescribed Language and End-User Notice:* Pursuant to the Clearing House's General Regulations, each RepoClear Clearing Member is required to ensure that it includes certain language in its agreement with its RepoClear Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 1 of Section 1 of the Procedures.

### 1.12.2 *Transfer of RepoClear Contracts and RepoClear Term £GC Contracts between Client Accounts and Proprietary Accounts*

- (a) If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between a RepoClear Clearing Member and a RepoClear Clearing Client in respect of which such RepoClear Clearing Member is a party to Related RepoClear Contracts or RepoClear Term £GC Contract and, at the time of such early termination date, the relevant RepoClear Clearing Member is not a Defaulter, the relevant RepoClear Clearing Member may instruct the Clearing House to transfer the relevant Related RepoClear Contracts or Related RepoClear Term £GC Contracts from its Client Account to its Proprietary Account.
- (b) For the purposes of this Section 1.12.2 a "**Related RepoClear Contract**" means, in respect of a transaction between a RepoClear

Clearing Member and a RepoClear Clearing Client which has been terminated on an early termination date, the open position represented by the RepoClear Contract entered into with the Clearing House by such RepoClear Clearing Member on behalf of the relevant RepoClear Clearing Client on equal and opposite terms to such transaction.

For the purposes of this Section 1.12.2 a "**Related RepoClear Term £GC Contract**" means, in respect of a transaction between a RepoClear Clearing Member and a RepoClear Clearing Client which has been terminated on an early termination date, the open position represented by the RepoClear Term £GC Contract entered into with the Clearing House by such RepoClear Clearing Member on behalf of the relevant RepoClear Clearing Client on equal and opposite terms to such transaction.

- (c) A transfer pursuant to this Section 1.12.2 will be subject to receipt by the Clearing House of the following:
- (i) a copy of the notice from the relevant RepoClear Clearing Member to the relevant RepoClear Clearing Client designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
  - (ii) a copy of a notice served by the relevant RepoClear Clearing Member on the relevant RepoClear Clearing Client alerting that RepoClear Clearing Client of its intention to request a transfer of the relevant Related RepoClear Contracts or Relevant RepoClear Term £GC Contracts pursuant to this Section 1.12.2; and
  - (iii) an indemnity from the relevant RepoClear Clearing Member in a form suitable to the Clearing House
- (d) The Clearing House will usually arrange a transfer of Related RepoClear Contracts or Related RepoClear Term £GC Contracts within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (i) to (iii) above, unless such transfer is contested by the relevant RepoClear Clearing Client.
- (e) In any other circumstance not covered by 1.12.2, a RepoClear Clearing Member may only instruct the Clearing House to transfer a RepoClear Contract or RepoClear Term £GC Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the RepoClear Clearing Member:
- (i) evidence of the relevant RepoClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and
  - (ii) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any RepoClear Contract or RepoClear Term £GC Contracts to be transferred pursuant to this Section 1.12.2(e) within 24 hours of receipt (to the extent applicable) of the documents listed in sub-Sections (i) and (ii) above, unless such transfer is contested by the relevant RepoClear Clearing Client.

### 1.12.3 *Backup Clearing Members*

A RepoClear Clearing Client may, at any time, appoint one or more Backup Clearing Member(s) in respect of the RepoClear Service, for the purpose of porting RepoClear Contracts or RepoClear Term £GC Contracts entered into by a RepoClear Clearing Member on its behalf and corresponding Account Balance(s), in accordance with the Client Clearing Annex.

A RepoClear Clearing Member agrees that the Clearing House is permitted, after the Default of such RepoClear Clearing Member, to disclose the Portfolio in respect of a Relevant Client Account and RepoClear Clearing Client of such RepoClear Clearing Member, to each Backup Clearing Member appointed by such RepoClear Clearing Client in respect of the RepoClear Service.

For the purposes of this Section 1.12.3:

- (a) **“Portfolio”** means, in respect of a Relevant Client Account and a RepoClear Clearing Client (i) the Contract(s) recorded to the Relevant Client Account and entered into between the Defaulting RCM and the Clearing House, in respect of such RepoClear Clearing Client, (ii) the Account Balance(s) recorded to the Relevant Client Account and attributable to such RepoClear Clearing Client, and (iii) such other related information as determined by the Clearing House in its sole discretion; and
- (b) **“Relevant Client Account”** means, in respect of a Defaulting RCM and a RepoClear Clearing Client, a Client Account (i) in the RepoClear Service and in the name of such Defaulting RCM, and (ii) attributable to such RepoClear Clearing Client (and, as applicable, one or more other RepoClear Clearing Client(s)).

## 1.13 **Indirect Clearing**

- 1.13.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a RepoClear Clearing Member and a RepoClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account in respect of which such RepoClear Clearing Member (i) is a party to Related RepoClear Contracts or RepoClear Term £GC Contracts and (ii) at the time of such early termination date, is not a Defaulting RCM, that RepoClear Clearing Member may instruct the Clearing House to take one of the following steps:

- (a) in circumstances where (i) the RepoClear Clearing Member notifies a single Backup Client in respect of all of the relevant Indirect Clients and (ii) within such time as the Clearing House may determine of the receipt of the relevant instructions from the RepoClear Clearing Member, the Clearing House has received confirmation in writing from the Backup Client of its agreement to act as Backup Client in relation to the arrangement described in this paragraph (a) (in such form as the Clearing House may require at the relevant time), transfer to the appointed Backup Client all of the open Related RepoClear Contracts and Related RepoClear Term £GC Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account (a "**Client to Client Porting**");
- (b) transfer the relevant Related RepoClear Contracts and Related RepoClear Term £GC Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant RepoClear Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**"); or
- (c) transfer the relevant Related RepoClear Contracts and Related RepoClear Term £GC Contracts from the relevant Indirect Omnibus Segregated Account to the RCM's Proprietary Account (an "**Initial Transfer**").

The Clearing House will determine whether a Client to Client Porting or a Direct Account Opening is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances and published on its website in relation to the relevant RepoClear Clearing Client. In the event of a determination by the Clearing House that the relevant step is impossible (an "**Impossibility Determination**"), the Clearing House will arrange a transfer of the Related RepoClear Contracts to the RepoClear Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.13.2 Each of the steps referred to in paragraphs 1.13.11.13.1 (a), (b) and (c) above and any Fallback Transfer will be subject to receipt by the Clearing House of the following:

- (a) a copy of the notice from the relevant RepoClear Clearing Member to the relevant RepoClear Clearing Client or from the relevant RepoClear Clearing Client to the relevant RepoClear Clearing Member, copied to each of the relevant Indirect Clearing Clients, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) a copy of a notice served by the relevant RepoClear Clearing Member on the relevant RepoClear Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that RepoClear Clearing

Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the relevant Related RepoClear Contracts; and (ii) that, in the event of an Impossibility Determination in respect of a request for Porting or a Direct Account Opening, a Fallback Transfer is likely to occur; and

- (c) an indemnity from the relevant RepoClear Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant RepoClear Clearing Client, the Clearing House will usually arrange a transfer of Related RepoClear Contracts and RepoClear Term £GC Contracts: (i) in the case of an Initial Transfer, within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a), (b) and (c) of this 1.13.2; and (ii) in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.13.2 a "**Related RepoClear Contract**" has the same meaning as ascribed to such term in Section 1.12.2 save that, in this Section 1.13.2 the RepoClear Clearing Client is a RepoClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

For the purposes of this Section 1.13.2 a "**Related RepoClear GC Contract**" has the same meaning as ascribed to such term in Section 1.12.2 save that, in this Section 1.13.2 the RepoClear Clearing Client is a RepoClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

#### 1.14 **Regulatory notification: information statement on the risks and consequences of concluding a RepoClear Contract or a RepoClear Term £GC Contract**

##### 1.14.1 *Interpretation*

In this paragraph 1.14:

**"Repurchase Agreement"** means a RepoClear Contract or a RepoClear Term £GC Contract.

**"Securities Financing Transactions Regulation"** means Regulation (EU) 2015/2365 of the European Parliament and of the Council on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.

##### 1.14.2 *Background and status*

Under the Securities Financing Transactions Regulation, the Clearing House is required to inform an RCM in writing of the general risks and consequences that may be involved in concluding a Repurchase Agreement (the "**Risks and Consequences**").



The information statement in paragraph 1.14.3 below (the "**Information Statement**") has been prepared to comply with the requirements under Article 15 of the Securities Financing Transaction Regulation and;

- (a) is made by the Clearing House to RCMs in connection with the RepoClear Clearing House Business and the RepoClear Client Clearing Business and relates only to the Risks and Consequences;
- (b) is provided for information only, does not purport to be comprehensive and is not intended to amount to advice of any kind whatsoever on which an RCM, a RepoClear Clearing Client or any other party should rely. Without prejudice to the generality of Regulation 52, although the Clearing House has used its reasonable efforts to provide information which is accurate and complete in all material respects, the Clearing House makes no representations, warranties, whether express or implied, that the Information Statement is accurate, complete, or up-to-date;
- (c) does not amend or supersede the Rulebook, the express terms of any RepoClear Transaction, RepoClear Contract or any rights or obligations that an RCM or RepoClear Clearing Client may have under applicable law, create any rights or obligations or otherwise affect the liability and obligations of the Clearing House, RCM or RepoClear Clearing Client;
- (d) may be read in conjunction with the Clearing House disclosure for the purposes of Article 39(7) of EU EMIR or UK EMIR, which is available here: [www.lch.com/system/files/media\\_root/article-39-7-emir-disclosure-statement\\_non-fcm.pdf](http://www.lch.com/system/files/media_root/article-39-7-emir-disclosure-statement_non-fcm.pdf).

#### 1.14.3 *Information Statement*

Where an RCM provides securities to the Clearing House under a Repurchase Agreement, the Clearing House draws the RCM's attention to the following Risks and Consequences:

##### *Clearing House insolvency or default*

- (e) the Clearing House is subject to certain protections against insolvency proceedings which protect, amongst other things, Collateral and close out arrangements such that the default management provisions of the Rulebook shall apply to enable the Clearing House to effectively manage a Default;
- (f) the Clearing House may be subject to the Special Resolution Regime under Part 1 of the Banking Act 2009 if the Bank of England is satisfied that the Clearing House is failing or is likely to fail to satisfy its recognition requirements or it is not reasonably likely that other action(s) will be taken by or in respect of the Clearing House which would enable the Clearing House to maintain the critical clearing services it provides;

- (g) fungible assets posted as security for (and the subject of) a RepoClear Contract (not as Initial Margin) are not held by the Clearing House separately from assets in the beneficial ownership of the Clearing House, there is a risk on the insolvency of the Clearing House that the property rights of the RCM may be lost;
- (h) in the event of the Clearing House's insolvency or default under the Repurchase Agreement, the RCM's claim against the Clearing House for delivery of equivalent securities will not be secured and will be subject to the terms of the relevant Repurchase Agreement and applicable law and accordingly, an RCM may not receive such equivalent securities or recover the full value of the securities (although an RCM's exposure may be reduced to the extent that the RCM has liabilities to the Clearing House which can be set off or netted against or discharged by reference to the Clearing House's obligation to deliver equivalent securities to the RCM);

#### *RCM Default*

- (i) in a respect of a Defaulting RCM, the Clearing House may exercise its discretion to decline to register a contract in the name of the RCM, effect a closing-out in respect of an open contract of the Defaulter and to settle such contracts, or to effect the transfer or termination, close-out and cash settlement of an open contract of the Defaulting RCM by applying a price determined by the Clearing House in its discretion;
- (j) Omnibus Segregated Clearing Clients may face mutualised losses following an RCM Default. In the event of an RCM default, the Clearing House will seek to port the position and the associated assets (or cash value in respect of those assets) recorded in the relevant Omnibus Segregated Account or Individual Segregated Account to a Backup Clearing Member. Porting will only be possible where each relevant Backup Clearing Member accepts the contracts to be ported to it and in the case of an ISA, the Clearing Client consents to the port. If porting is not desired or cannot be achieved, the Clearing House will close out the relevant positions and liquidate the Collateral and calculate the Clearing Client's entitlement to Collateral and amounts in respect of the close-out of the contracts;
- (k) RCM's are subject to certain risk-sharing requirements which may impose more stringent obligations on the RCM than repo market requirements in respect of transactions which are not cleared through a central clearing counterparty. RCMs are required to contribute to the Clearing House's capital buffers for example through the transfer of Collateral in respect of the RCM's variation, delivery and initial margin obligations. RCM's are also required to make a Default Fund Contribution and have contingent obligations to help bail out the Clearing House should a default by one or more Clearing Members exhaust the Clearing House's margins and default fund;

#### *General risks*

- (l) the RCM's rights, including any proprietary rights that it may have had, in those securities will be replaced by an unsecured contractual claim for delivery of equivalent securities subject to the terms and conditions of the relevant Repurchase Agreement;
- (m) all securities delivered to the Clearing House, whether forming part of RepoClear Contracts or RepoClear Term £GC Contracts, shall form one fungible pool which the Clearing House may use in its absolute discretion in order to meet its obligations under the Rulebook;
- (n) where the RCM provides securities to the Clearing House as Collateral, the relevant RepoClear Clearing Client will not be entitled to assert any equitable or other claim to any such securities in circumstances where the assertion of such claim would delay or inhibit the disposal by the Clearing House of such securities and/or the application of the proceeds of sale of such Securities in accordance with the Rulebook;
- (o) the obligations of RCMs to the Clearing House in respect of the settlement and delivery of securities shall endure notwithstanding that the issuer of such securities passes a resolution or a court makes an order for the winding up of the issuer or a receiver, administrative receiver, administrator, trustee or similar officer is appointed in respect of all or any part of its undertaking, or the issuer enters into a composition or voluntary arrangement with or for the benefit of its creditors or any other event of a similar nature occurs;
- (p) those securities the subject of the RepoClear Contact will not be held by the Clearing House in accordance with client asset rules, and, if they had benefited from any client asset protection rights, those protection rights will not apply (for example, the securities will not be segregated from our assets and will not be held subject to a trust);
- (q) as a result of an RCM ceasing to have a proprietary interest in those securities, such RCM will not be entitled to exercise any voting, consent or similar rights attached to the securities, and even if the Clearing House has agreed to exercise voting, consent or similar rights attached to any equivalent securities in accordance with instructions received from an RCM or the relevant Repurchase Agreement entitles such RCM to notify the Clearing House that the equivalent securities to be delivered by the Clearing House to the RCM should reflect the RCM's instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that the Clearing House does not hold and is not able to readily obtain equivalent securities, the Clearing House may not be able to comply (subject to any other arrangements made between the parties);
- (r) in the event that the Clearing House is not able to readily obtain equivalent securities to deliver to an RCM at the relevant time, such RCM may be unable to fulfil its settlement obligations under a hedging or other transaction that it has entered into in relation to those

securities; a counterparty, exchange or other person may exercise a right to buy-in the relevant securities; and you may be unable to exercise rights or take other action in relation to those securities;

*Dividends, coupons and corporate events*

- (s) unless otherwise agreed, the Clearing House is not required to inform an RCM of any corporate events or actions in relation to those securities;
- (t) any Collateral which is comprised of securities may be subject to corporate actions, the exercise of voting rights or other events relating to the issuer of securities which may affect the value of, or the ability to hold or transfer the securities concerned while in the possession or under the control of the Clearing House;
- (u) an RCM will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those securities, although the express written terms of the relevant Repurchase Agreement may provide for the RCM to receive or be credited with a payment by reference to such dividend, coupon or other payment (a "**manufactured payment**");

*Tax*

- (v) entering into a Repurchase Agreement may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by an RCM or the Clearing House for the account of an RCM of those securities;
- (w) where an RCM receives or is credited with a manufactured payment, the tax treatment may differ from the tax treatment in respect of the original dividend, coupon or other payment in relation to those securities.

**SCHEDULE 1**  
**SETTLEMENT TIMETABLE – REPOCLEAR CONTRACTS**

United Kingdom Government Debt Securities

This table shows the settlement timetable (London time) for RepoClear Contracts where United Kingdom Government Debt Securities are to be delivered. RCMs will be informed of changes to this timetable via Clearing Member circular.

\* This table applies to RepoClear Dealers where they have been authorised as transferor/transferee by their RCMs – see Section 1.1.7.

| <b>Euroclear UK &amp; Ireland*</b> |                                                                                                                                       |                                                                                                                                                                                   |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Time</b>                        | <b>RCM or RepoClear Dealer *</b>                                                                                                      | <b>Clearing House</b>                                                                                                                                                             |
| 06.45                              | ETCMS gateway opens,<br>ATS gateway opens                                                                                             |                                                                                                                                                                                   |
| 11:30                              | ATS and ETCMS deadline for trade registration for same business day settlement                                                        |                                                                                                                                                                                   |
| 11:30                              |                                                                                                                                       | LCH Limited Gilt Netting process begins                                                                                                                                           |
| By 12:30                           | Check reports RREP0009d<br>Todays Detailed Settlement<br>Obligations and RREP0009d<br>Same Day Delivery Settlement<br>Tickets (Gilts) |                                                                                                                                                                                   |
| From<br>13:30                      |                                                                                                                                       | Where necessary, process partial settlement of instructions in CREST                                                                                                              |
| 14:55                              | Gilt DVP – end of settlement window                                                                                                   |                                                                                                                                                                                   |
| From<br>14:55 to<br>16:40          | Match free of payment transactions (as advised by LCH Limited)                                                                        | Advise participants of free of payment transactions.<br><br>Call payment for Free of Payment transactions via PPS accounts.<br><br>Create free of payment settlement instructions |
| 17:30 to<br>18:00                  | Free of payment instructions settle                                                                                                   |                                                                                                                                                                                   |
| 18:00                              | ATS gateway closes, ETCMS matching system closes                                                                                      |                                                                                                                                                                                   |

| <b>Euroclear UK &amp; Ireland*</b> |                                  |                                 |
|------------------------------------|----------------------------------|---------------------------------|
| <b>Time</b>                        | <b>RCM or RepoClear Dealer *</b> | <b>Clearing House</b>           |
| by 19:00                           |                                  | End of Day processing commences |

**SCHEDULE 2**  
**SETTLEMENT TIMETABLE – REPOCLEAR TERM £GC CONTRACTS**

Term £GC

This table shows the settlement timetable (London time) for RepoClear Term £GC Contracts which are settled using the EUI Term DBV service. RCMs will be informed of changes to this timetable via Clearing Member circular.

\* This table applies to RepoClear Dealers where they have been authorised as transferor/transferee by their RCMs – see Section 1.1.77.

| <b>Euroclear UK &amp; Ireland</b> |                                                                                                              |                                                                                                                                                                                      |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Time</b>                       | <b>RCM or RepoClear Dealer *</b>                                                                             | <b>Clearing House</b>                                                                                                                                                                |
| 06.45                             | ETCMS gateway opens<br>ATS gateway opens                                                                     |                                                                                                                                                                                      |
| From 06:00<br>to 17:30            | Term DBV Returns settle<br>Term £GC interest-only instructions settle (cash-only DELs)                       |                                                                                                                                                                                      |
| 14:30                             | ATS and ETCMS deadline for trade registration for same business day settlement                               |                                                                                                                                                                                      |
| From 14:45                        |                                                                                                              | Send Term DBV settlement instructions to EUI for same business day settlement<br><br>Send interest-only settlement instructions to EUI for action next business day (cash-only DELs) |
| From 15:00                        | Review RREP0008j Term £GC Detailed Settlement Obligations and RREP0009j Term £GC Detailed Settlement Tickets |                                                                                                                                                                                      |
| From 15:00<br>to 17:30            | Term DBV instructions settle                                                                                 |                                                                                                                                                                                      |
| By 16:02                          |                                                                                                              | Where necessary, process partial settlement instructions.                                                                                                                            |
| 18:00                             | ATS gateway closes, ETCMS matching system closes                                                             |                                                                                                                                                                                      |
| By 19:00                          |                                                                                                              | End of Day processing commences                                                                                                                                                      |