

VIA CFTC Portal

24 August 2015

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mr. Kirkpatrick:

LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), changes to its rules with respect to the introduction of a Risk-free Compression offering (also known as Solo Compression) in its ForexClear service. This initiative will be launched on or after September 28, 2015.

Part I: Explanation and Analysis

Solo Compression is intended to provide a risk free mechanism for ForexClear clearing members to reduce the number of line items as well as gross notional portfolio exposures. Hence clearing members gain operational efficiencies through "tearing up" trades of the same economic characteristics and, in the case of residual net notional amounts, the compression process will generate one or two trades that represent the notionals resulting from the netting process. ForexClear's Solo Compression does not change the risk profile of a member's portfolio, but enables a clearing member to compress trades per portfolio account only (i.e. cross portfolio margining will not be available).

A clearing member will be able to choose to compress trades at a portfolio level either selectively or automatically by opting for an account to be compressible for all runs. Regardless of the selection method, compression execution will take place once per day (at approximately 22:30hrs London time).

ForexClear's Solo Compression will operate in either standard or price blending mode:

Standard netting will be able to occur where all trade economics are the same. A check is carried out to identify those trades with a common netting ID and trade price to see if there is more than one other matching trade for that given netting key within a member portfolio account. If so, compression can occur calculating the net notional of the trades being compressed. As part of the process, the original trades are terminated and if there is a residual net notional, a new trade is created and booked with the same netting key (partial compression), otherwise if the net notional in both currencies adds up to zero, then no new trade is created (full compression).

Price blending netting will be able to occur where the trade prices are different but all other economics are the same. As with standard netting a check is carried out to identify trades with a common netting ID, then compression occurs calculating the net notional of the trades being compressed, as well as a revised price of the aggregate position or the exact average price of the position. If the outcome of the calculation results in a residual net notional on both currencies and the new net price is between the highest and lowest prices of the original trades, then one or two new trades are created. However if there is residual net notional in only one currency, or the new net price is outside the price range of the original trades, then two new trades are created using the highest and lowest prices of the original trades.

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Fee Schedule

- Standard Solo Compression – No fee (as no new trade generated);
- Blended Solo Compression – Current per ticket clearing fee for any new trade generated and an additional \$1fee per million for total notional compressed within an account in the previous month.

It is intended that there will be an initial fee holiday period from go-live to December 31, 2015 when no fees will be applied, to encourage members to take advantage of the service and determine its benefits.

Part II: Description of Rule Changes

The changes to the Rulebook are not material but in addition to inserting language to provide for ForexClear Solo Compression, changes have been made to clarify certain definitions and to renumber sections as appropriate. A matrix of the changes is included in Appendix A. The marked-up sections of the Rulebook are attached as appendices as follows:

Appendix B - General Regulations

Appendix C - FCM Regulations

Appendix D - Procedures Section 2C (SwapClear) – To align with the definition of ClearLink API in the General Regulations and FCM Regulations.

Appendix E - Procedures Section 2I (ForexClear)

Appendix F - FCM Procedures

Part III: Core Principle Compliance

LCH.Clearnet has concluded that compliance with the Core Principles will not be adversely impacted by this initiative, and LCH.Clearnet continues to comply with the Core Principles.

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of this submission on the LCH.Clearnet website at <http://www.lchclearnet.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

There were no opposing views expressed to LCH.Clearnet by governing board or committee members, members of LCH.Clearnet or market participants that were not incorporated into this change.

Certification

LCH.Clearnet hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission regulation §40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions regarding this submission please contact me at julian.oliver@lchclearnet.com

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Julian Oliver', written over a blue circular stamp or seal.

Julian Oliver, Chief Compliance Officer
LCH.Clearnet Ltd
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LCH.Clearnet Rule Submission

Appendix A

Matrix of LCH.Clearnet Limited Rulebook Changes

General Regulations	FCM Regulations	Explanation
Scope		(i) Amended 2 nd to last paragraph to state that Regulation 90 to Regulation 94 rather than to Regulation 93 applies only to ForexClear contracts; and (ii) Amended last paragraph to state that Regulation 95 rather than Regulation 94 applies only to NLX contracts.
Regulation 1 Definitions	Regulation 1 Definitions	Clarified definition of "ClearLink API"
	Regulation 1 Definitions	Clarified definition of "FCM Approved Trade Source System"
Regulation 1 Definitions		Amended definition of "NLX Regulations" to specify Regulation 95 rather than Regulation 94
Regulation 1 Definitions	Regulation 1 Definitions	Insertion of definition for "Resulting ForexClear Contract"
	Regulation 49	Inclusion of "Compression" in the title of this regulation
Regulation 94 (New)	Regulation 49(I) (New)	Added new section with language for the compression service.
Regulation 90		Amended to state that Regulation 90 to Regulation 94, rather than Regulation 93 apply to the ForexClear service.
Regulation 95 (New)		Old Regulation 94
Regulation 95(u)		Changed "Regulation 94(u)" to "Regulation 95(u)" and "Regulation 94(a)" to "Regulation 95(a)"
Procedures Reference	FCM Procedures reference	Explanation
2C - 1.16 (SwapClear)	2.1.1(c)(iii) 2.1.3(b) 2.1.4	Changed "SwapClear API" to "ClearLink API"
	2.1.11	Minor amendments including: - Changed "Regulation 45" to "Regulation 46" - Changed "SwapClear API" to "ClearLink API"
2I - 1.15 (New)	2.2.18 (New)	Added new section with language for the compression service
	2.2.18 to 2.2.27 (Old)	Sections renumbered – 2.2.19 to 2.2.28 (New)

LCH.Clearnet Rule Submission

Appendix B

LCH.Clearnet Limited – General Regulations



**GENERAL REGULATIONS OF
LCH.CLEARNET LIMITED**

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Scope

Save where expressly stated to the contrary in these Regulations or the Procedures, these Regulations govern clearing services provided by LCH.Clearnet Limited. They do not cover clearing services provided by LCH.Clearnet SA which are governed by a separate set of rules.

For the purposes of these Regulations, LCH.Clearnet Limited is referred to as the "**the Clearing House**". The terms "**Member**" or "**Clearing Member**" are used to refer to an undertaking which is entitled to receive clearing services from LCH.Clearnet Limited (see "Definitions"). They do not mean "shareholder" of LCH.Clearnet Limited or of any other undertaking in the LCH.Clearnet Group.

Any Regulation or group of Regulations expressly stated not to apply to a category, or categories, of Contract shall not apply to such category, or categories, of Contract.

Regulation 54 to Regulation 60 (inclusive) apply only to SwapClear Contracts. Save as provided in Regulation 54, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to SwapClear Contracts.

Regulation 61 to Regulation 66 (inclusive) apply only to RepoClear Contracts. Save as provided in Regulation 61, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to RepoClear Contracts.

Regulation 67 to Regulation 72 (inclusive) apply only to EquityClear Contracts. Save as provided in Regulation 67, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to EquityClear Contracts.

Regulation 73 to Regulation 75 (inclusive) apply only to LCH EnClear Contracts. Save as provided in Regulation 73, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LCH EnClear Contracts.

Regulation 76 to Regulation 87 (inclusive) apply only to LSE Derivatives Markets Cleared Exchange Contracts which are eligible for clearing pursuant to these Regulations and the LSE Derivatives Markets Rules. Save as provided in Regulation 76, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LSE Derivatives Markets Cleared Exchange Contracts.

Regulation 91 applies only to Nodal Contracts. Save as provided in Regulation 89, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to Nodal Contracts.

Regulation 90 to ~~Regulation 93~~ Regulation 94 (inclusive) apply only to ForexClear Contracts. Save as provided in Regulation 90, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to ForexClear Contracts.

Regulation 95 ~~Regulation 94~~ applies only to NLX Contracts. Save as provided in Regulation 95 ~~Regulation 94~~, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to NLX Contracts.

the relevant Client Account unless and until it is transferred back to the Client Buffer Account (whereupon it shall cease to form part of the Clearing Member Current Collateral Balance in respect of the relevant Client Account)

"Clearing Member Returned Collateral"

means, in respect of an account of a Clearing Member, any Collateral: (i) which the Clearing House has returned to a Clearing Member (provided that the Clearing House shall only be treated as having returned any non-cash Collateral to a Clearing Member if the security in respect of that Clearing Member's interest in that non-cash Collateral pursuant to the relevant Deed of Charge has been released); or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of Regulation 23(c) or as a result of the operation of Regulation 57(d) or another comparable payment netting provision applying in the ordinary course of business.

"Clearing Membership Agreement"

means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available clearing services in respect of Contracts together with any extension letter or other agreement; in these Regulations and the Procedures the expressions "**Clearing Member Agreement**", "**Member Agreement**" and "**Membership Agreement**" shall have the same meaning as "**Clearing Membership Agreement**"; and in the Default Rules "**Clearing Membership Agreement**" includes the FCM Clearing Membership Agreement and the FCM Default Fund Agreement

"ClearLink API"

means the Clearing House's proprietary a—messaging standard used by market participants to interact with the Clearing House's clearing services

"Client Account"

means any Individual Segregated Account and any Omnibus Segregated Account

"Client Buffer"

means an amount of Collateral (taking the form of cash in a currency acceptable to the Clearing House) held in a Client Buffer Account which is intended to be used to provide a pool of available Collateral to support the registration of, or to meet any other intraday margin requirements in connection with, SwapClear Contracts in Client Accounts opened in connection with SwapClear Client Clearing Business

"Client Buffer Account"

means a sub-account of a SwapClear Clearing Member's Proprietary Account opened for the purpose of recording Client Buffer

"NLX Contract Terms"	means the terms of a NLX Contract as set out from time to time in the NLX contract specification provided in the NLX Rules
"NLX Eligible Derivative product"	A derivative product prescribed from time to time by the Clearing House as eligible for the NLX Service
"NLX Reference Price"	A Reference Price in respect of an NLX Contract
"NLX Regulations"	means those Regulations which apply to NLX Contracts as specified in Regulation 94 Regulation 95
"NLX Rules"	the rules, practices, procedures, trading protocols and arrangements of the NLX Trading Facility as the case may be and as may be prescribed from time to time relating to NLX Eligible Derivative Products
"NLX Service"	the service provided by the Clearing House under the NLX Regulations
"NLX Service Clearing Member"	a Member who is designated by the Clearing House as eligible to clear NLX Contracts
"NLX Trading Facility"	the facility, trading system or systems operated directly or indirectly by NLX on which NLX Eligible Derivative Products may be traded
"NLX Transaction"	a contract in an NLX Eligible Derivative Product between NLX Service Clearing Members arising or registered on an NLX Trading Facility meeting the requirements of the Regulations and the Procedures
"Nodal"	means Nodal Exchange, LLC of 8065 Leesburg Pike, Suite 700, Vienna, VA 22182, United States of America
"Nodal Clearing Client"	means, in respect of NODAL Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client
"Nodal Clearing House Business"	means Nodal Contracts entered into by a Nodal Service Clearing Member with the Clearing House on a proprietary basis and for its own account
"Nodal Client Clearing Business"	means the provision of NODAL Client Clearing Services by a Nodal Service Clearing Member
"Nodal Client Clearing Services"	means the entering into of Nodal Contracts by a Nodal Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

Service

"Resulting Forexclear Contract"

means a ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such ForexClear Contract, in accordance with the Rulebook, but that did not exist at the time at which the applicable ForexClear Clearing Member requested such compression

"Retirement Effective Date"

means the date on which the termination of a Retiring Member's Clearing Member status becomes effective, as specified in Regulation 5(e)

"Retiring Member"

means at any time any Clearing Member or, as the context may require, any former Clearing Member: (i) who has given notice to terminate its Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its Clearing Member status

"Return Window"

has the meaning assigned to it in the Client Clearing Annex to the Default Rules

"Risk Neutralisation"

has the meaning assigned to it in the Default Rules

"Rule 19 Certificate"

has the meaning assigned to it in Rule 19 of the Default Rules

"Rulebook"

means the Regulations, Default Rules, Settlement Finality Regulations, Procedures, and such other rules of the Clearing House, as published and amended from time to time

"Rules Change Committee"

means the decision-making body that will oversee and implement all material alterations, amendments or extensions to the Rulebook or the Clearing Membership Agreement in accordance with its terms of reference

"Rules of the Clearing House"

means the Rulebook of the Clearing House including the General Regulations, Default Rules, Settlement Finality Rules and Procedures

"SCM Branch"

means a branch or part of a SwapClear Clearing Member, not being a different legal person from the SwapClear Clearing Member, which is authorized by the Clearing House to submit to the Clearing House, in the name of that SwapClear Clearing Member, SwapClear Transactions for registration, subject to these Regulations and the Procedures, by the Clearing House as SwapClear Contracts

CHAPTER XXI – FOREXCLEAR REGULATIONS

REGULATION 90 APPLICATION OF FOREXCLEAR REGULATIONS

- (a) The Clearing House shall provide the ForexClear Service subject to and in accordance with the terms of these ForexClear Regulations and the Procedures.
- (b) ForexClear Clearing Members shall be bound by these ForexClear Regulations. Applications to become a ForexClear Clearing Member shall be made in accordance with Regulation 90(d) and (e). Other than as expressly specified in this Regulation 90, the remainder of the Regulations shall not apply to the ForexClear Service. A summary table of those Regulations which apply to the ForexClear Service as described in Regulation 90(a) to (p) is provided at Regulation 90(q).
- (c) Regulations 2 and 3 of the Regulations apply to the ForexClear Service.

ForexClear Clearing Membership

- (d) A Clearing Member may apply to become a ForexClear Clearing Member in accordance with the Procedures.
- (e) Regulation 4 applies to membership of the ForexClear Service and applications for such membership.
- (f) Regulation 5 applies to a ForexClear Clearing Member.

Accounts

- (g) Regulation 10 applies to the opening and operation of accounts with respect to a ForexClear Clearing Member. Such accounts shall be designated in accordance with Regulation 15.

Client Clearing

- (h) Regulation 11 applies to those ForexClear Clearing Member who provide (or wish to provide) Client Clearing Services.

Formation, registration and transfers of ForexClear Contracts

- (i) Regulation 16(b), (c), (e), (f), (g), (h), (j), (k) and (l), Regulation 17 and Regulation 91 govern the registration and formation of a ForexClear Contract.
- (j) Regulation 90 to Regulation 94 ~~Regulation 93~~ apply to the ForexClear Service.
- (k) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to a ForexClear Contract that is an open contract.

Margin and Collateral

- (l) Regulation 20 applies to a ForexClear Clearing Member.

Regulation	Title
and (m))	
Regulation 17	Trading Information
Regulation 18	Transfer
Regulation 20	Margin and Collateral
Regulation 22	Official Quotations and Reference Price
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
Regulation 48(b)	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50(a)	Validity of Regulations and Action
Regulation 51(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 90 to Regulation 93 Regulation 94	ForexClear Regulations

REGULATION 94 COMPRESSION

(a) Notwithstanding any other provision of these Regulations, if:

(i) one or more ForexClear Contracts registered by a ForexClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other ForexClear Contracts registered for the account of such ForexClear Clearing Member, and

(ii) all such ForexClear Contracts are either (a) registered on the ForexClear Clearing Member's own behalf, or (b) registered on behalf of the same ForexClear Clearing Client and in the same Client Account,

then, to the extent permitted in the Procedures and this Regulation 94, the ForexClear Clearing Member may request that the Clearing House compress and combine all such ForexClear Contracts by terminating the relevant existing ForexClear Contracts and compressing them so that there results in either (1) no replacement ForexClear Contract, or (2) one or more ForexClear Contracts having a net future cash flow equal to the net future cash flow of such original ForexClear Contracts. For the avoidance of doubt, in no circumstances can a ForexClear Contract registered in the Proprietary Account of a ForexClear Clearing Member be compressed pursuant to this Regulation 94 with a ForexClear Contract registered in the Client Account of that ForexClear Clearing Member.

(b) For the purposes of paragraph (a) above, two or more ForexClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms" if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual). For the avoidance of doubt, the Clearing House may determine that two or more ForexClear Contracts have "substantially the same Economic Terms" even if they have differing Forward Rates (as defined in schedule 6 of the Product Specific Contract Terms and Eligibility Criteria Manual). The Clearing House shall determine (in its sole discretion) whether ForexClear Contracts that are the subject of a request for compression from the ForexClear Clearing Member may be compressed and, if such ForexClear Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed ForexClear Contracts and, if so, the resulting terms of such ForexClear Contract(s), and such determinations shall be binding on the ForexClear Clearing Member, absent manifest error. It is a condition for compression of ForexClear Contracts that the amount of Collateral that the Clearing House requires in respect of the original ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement ForexClear Contract(s).

CHAPTER XXII – NLX REGULATIONS

~~Regulation 94~~ REGULATION 95 APPLICATION

General

- (a) The Clearing House shall provide the NLX Service subject to and in accordance with the terms of this Regulation and the Procedures.
- (b) Clearing Members which are NLX Service Clearing Members, and applicants to become NLX Service Clearing Members, shall be bound by this Regulation and the other Regulations specified in this Regulation to apply to the NLX Service. Other than as specified in this Regulation, the remainder of the Regulations shall not apply to the NLX Service.
- (c) Regulations 2 and 3 of the Regulations apply to the NLX Service.

NLX Service Clearing Membership

- (d) A Clearing Member may apply to become a NLX Service Clearing Member in accordance with the Procedures.
- (e) Regulation 4 applies to NLX Service Clearing Membership and applications therefor.
- (f) Regulation 5 applies to a NLX Service Clearing Member.
- (g) In the event of any inconsistency between NLX's Rules and the NLX Regulations, the NLX Regulations shall prevail.

Accounts

- (h) Regulation 10 applies to the opening and operation of accounts with respect to a NLX Service Clearing Member. Such accounts shall be designated in accordance with Regulation 15.

Client Clearing

- (i) Regulation 11 applies to those NLX Service Clearing Member who provide (or wish to provide Client Clearing Services).

Formation, registration and transfers of NLX Contracts

- (j) NLX's Rules govern the formation of a NLX Transaction.
- (k) Regulation 13 (except Regulation 13(d)) and Regulation 16 govern the registration and formation of a NLX Contract.
- (l) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to a NLX Contract which is an open contract.

Margin and Collateral

- (m) Regulation 20 applies to a NLX Service Clearing Member.

Daily settlement

- (n) Regulation 21, Regulation 22, Regulation 23 and Regulation 24 apply to the daily settlement to market of open NLX Contracts.

Options

- (o) Regulation 26 and Regulation 27 apply to NLX Contracts which are options.

Physical settlement

- (p) Regulation 28 to 32 (inclusive) and Regulation 36 apply to NLX Contracts.

Arbitration

- (q) Regulation 33 and Regulation 34 apply to NLX Contracts.

Market disorders; force majeure; invoicing back; currency conversion; disclosure; fees and other charges; records; Procedures; alteration of Regulations and Procedures; interpretation; waiver; validity; governing law and jurisdiction; exclusion of liability; netting

- (r) Regulation 36 to Regulation 52 (inclusive) apply to NLX Service Clearing Members and NLX Contracts.

Default Rules

- (s) The Default Rules apply to NLX Service Clearing Members and NLX Contracts.

Clearing House Settlement Finality Regulations

- (t) The Clearing House Settlement Finality Regulations apply in relation to NLX Service Clearing Members and NLX Contracts.

Summary table of Regulations which apply to the NLX Service

- (u) The Regulations listed in this [Regulation 94\(u\)](#) [Regulation 95\(u\)](#) apply to the NLX Service as described under [Regulation 95\(a\) to \(t\)](#) ~~Regulation 94(a) to (t)~~.

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
Regulation 3	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
Regulation 4	Clearing Member Status of the Clearing House
Regulation 5	Resigning and Retiring Members

Regulation	Title
Regulation 33	Arbitration: Cleared Exchange Contracts, LSE Derivatives Markets Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear Contracts (for Physical Delivery)
Regulation 34	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
Regulation 38	Force Majeure
Regulation 39	Invoicing Back
Regulation 40	Currency Conversion
Regulation 41	Disclosure and Reporting
Regulation 42	Fees and Other Charges
Regulation 43	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
Regulation 48	Interpretation of these Regulations
Regulation 49	Waiver
Regulation 50	Validity of Regulations and Action
Regulation 51	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 95 Regulation 94	NLX Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

LCH.Clearnet Rule Submission

Appendix C

LCH.Clearnet Limited – FCM Regulations

**FCM REGULATIONS OF
THE CLEARING HOUSE
LCH.CLEARNET LIMITED**

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“Carrying Clearing Member”	Means (i) an FCM Clearing Member that has an account for an FCM Client, and in respect of which the FCM Contracts and Collateral attributed to such account is to be transferred to a Receiving FCM Clearing Member pursuant to FCM Regulation 13 and in accordance with the FCM Procedures or (ii) in respect of a transfer as described in sub-paragraph (b) of the definition of “Receiving Clearing Member”, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member).
“Cash-Settled FCM Exchange Contract”	means an FCM Exchange Contract which is to be settled by cash-settlement only.
“CEA”	means the U.S. Commodity Exchange Act.
“CFTC”	means the U.S. Commodity Futures Trading Commission.
“CFTC Regulations”	means the rules and regulations promulgated by the CFTC.
“Cleared Swap”	means “Cleared Swap” as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to Swap Products.
“Cleared Swaps Account Class”	means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
“Cleared Swaps Customer Account”	means “Cleared Swaps Customer Account” as such term is defined in CFTC Regulation 22.1.
“Clearing House”	means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
<u>“ClearLink API”</u>	<u>means the Clearing House’s proprietary messaging standard used by market participants to interact with the Clearing House’s clearing services.</u>
“Closing-out Contract”	means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member’s name, being an FCM Contract on the same terms (except as to price) as an Open Contract in the FCM Clearing Member’s name, save that where the Clearing House has position “X” under the terms of such open FCM Contract (where such FCM Contract consists of positions “X” and “Y”), the Clearing House shall have position “Y” under the terms of such closing-out FCM Contract, and vice-versa.

“Expiry Month”	means a month prescribed by Exchange Rules in respect of an FCM Option Contract.
“FCM”	means a futures commission merchant, as defined in the CEA and the CFTC Regulations promulgated thereunder, that is registered in such capacity with the CFTC.
“FCM Approved Trade Source System”	means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade affirmation or routing system or other similar venue or system, approved by the Clearing House for submitting or presenting FCM Transactions to the Clearing House. For the avoidance of doubt, the “ SwapClearLink API ” is not an FCM Approved Trade Source System.
“FCM Buffer”	has the meaning assigned to such term in FCM Regulation 15(a).
“FCM Buffer Sub-Account”	has the meaning assigned to such term in FCM Regulation 15(a).
“FCM Clearing Member”	means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a “ Clearing Member ” for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.
“FCM Clearing Membership Agreement”	means the agreement so designated under which, <i>inter alia</i> , the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements.
“FCM Clearing Services”	means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services, the FCM EnClear Clearing Services and the FCM Nodal Clearing Services, collectively.
“FCM Client”	means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; provided, that any such client is only an FCM Client with respect to its positions in FCM Contracts; and provided, further, that any entity whose account would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 or a proprietary account pursuant to CFTC Regulation 1.3(y) if such account were carried by an FCM Clearing Member (such as in the case of an affiliate), shall not be an “FCM Client” of any such FCM Clearing

prescribed in the FCM Procedures.

“Regulatory Body”

means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law.

“Required Margin”

means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the amount of Initial Margin required by the Clearing House (in accordance with the FCM Rulebook) to be held in such account or accounts from time to time.

“Resignation Effective Date”

means the date on which the termination of a Resigning Member's FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a).

“Resulting FCM ForexClear Contract”

means an FCM ForexClear Contract that will exist at the time the Clearing House undertakes compression, in respect of such FCM ForexClear Contract, in accordance with the FCM Rulebook, but that did not exist at the time at which the applicable FCM Clearing Member requested such compression.

“Resigning Member”

means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service.

“Retirement Effective Date”

means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e).

“Retiring Member”

means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing

CHAPTER XIII - FCM FOREXCLEAR REGULATIONS

REGULATION 49 REGISTRATION OF FCM FOREXCLEAR CONTRACTS; COMPRESSION; FOREXCLEAR ACCOUNTS

- (a) In order for an FCM to submit an FCM ForexClear Transaction for registration as an FCM ForexClear Contract, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must submit the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).
- (b) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name on behalf of an FCM Client pursuant to the presentation of particulars of an FCM ForexClear Transaction by it, and by the other FCM Clearing Member or Non-FCM Clearing Member, as applicable.
- (c) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM ForexClear Transaction, particulars of which are submitted for registration as an FCM ForexClear Contract, must meet the FCM ForexClear Product Eligibility Criteria at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM ForexClear Contract, at which time the FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be) shall replace and supersede such corresponding FCM ForexClear Transaction.
- (d) The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation 49 in the name of an FCM Clearing Member on behalf of an FCM Client at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client if applicable, will be deemed to be bound by the relevant FCM ForexClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
- (e) **Ineligible Registered FCM ForexClear Transactions**
 - (i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time,

(k) In the case of an FCM ForexClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 49 shall take effect.

(l) **Compression.** Notwithstanding any other provision of these FCM Regulations, if one or more FCM ForexClear Contracts registered by an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures has substantially the same Economic Terms as one or more other FCM ForexClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM ForexClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, or (ii) registered on behalf of the same FCM Client and in the same FCM Client Sub-Account, then the FCM Clearing Member may request that the Clearing House compress and combine all such FCM ForexClear Contracts by terminating the relevant existing FCM ForexClear Contracts and compressing them so that there results in either (1) no replacement FCM ForexClear Contract, or (2) one or more FCM ForexClear Contracts having a net future cash flow equal to the net future cash flow of the original FCM ForexClear Contracts. For the purposes of this FCM Regulation 49(l), two or more FCM ForexClear Contracts may be deemed by the Clearing House to have “substantially the same Economic Terms” if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same Valuation Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual) and Settlement Date (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual). For the avoidance of doubt, the Clearing House may determine that two or more FCM ForexClear Contracts have “substantially the same Economic Terms” even if they have differing Forward Rates (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual). The Clearing House shall determine (in its sole discretion) whether FCM ForexClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM ForexClear Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed ForexClear Contracts and, if so, the resulting terms of such FCM ForexClear Contract(s), and such determinations shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM ForexClear Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM ForexClear Contract(s).

(m) **ForexClear Accounts.** All FCM Omnibus ForexClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM ForexClear Contracts or to reflect any Margin other than in connection with FCM ForexClear Contracts.

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Appendix D

LCH.Clearnet Limited – Procedures Section 2C (SwapClear)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

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SwapClear Dealers who wish to change their SCM will be required to execute a new SwapClear Dealer Clearing Agreement with their intended new SCM. The Clearing House will, if all parties are in agreement, effect a transfer of positions from one SCM to the other.

Other than in respect of a transfer to a Backup Clearing Member following a default of their existing SwapClear Clearing Member, transfers will only be effected once adequate Collateral (which, in the case of transfers conducted pursuant to Regulation 60(b) (*Transfer*), may include an Associated Collateral Balance) has been transferred to the Clearing House by both parties to the transfer.

1.15.1 *Legal Documentation*

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.

1.15.2 *Position Transfer Notice Period*

The Clearing House will usually require five business days notice ahead of an intended transfer.

1.16 **Compression**

A SwapClear Clearing Member may compress existing SwapClear Contracts in accordance with Regulation 56. There are two options available to a SwapClear Clearing Member that wishes to compress existing SwapClear Contracts:

- (a) **aA** SwapClear Clearing Member can request that all SwapClear Contracts entered into on behalf of a designated SwapClear Clearing Client or on such SwapClear Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the SwapClear Clearing Member after the applicable scheduled compression run) until the SwapClear Clearing Member notifies the Clearing House to discontinue such compression of SwapClear Contracts. SwapClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of SwapClear Contracts ~~;~~ or
- (b) **Aa** SwapClear Clearing Member may notify the Clearing House directly through the **SwapClear ClearLink** API specifying which SwapClear Contracts should be compressed. The SwapClear Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to compress a SwapClear Contract, a SwapClear Clearing Member must have in its applicable Client Account or Proprietary Account SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which

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Appendix E

LCH.Clearnet Limited – Procedures Section 2I (ForexClear)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

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Porting or a Direct Account Opening, a Fallback Transfer is likely to occur; and

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

Unless contested by the relevant ForexClear Clearing Client, the Clearing House will usually arrange a transfer of Related ForexClear 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 Section 1.14.2; and (ii) in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.14, a "Related ForexClear Contract" has the same meaning as ascribed to such term in Section 1.12.3 save that, in this Section 1.14 the ForexClear Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

1.15 Compression

1.15.1 A ForexClear Clearing Member may compress existing ForexClear Contracts in accordance with Regulation 94. There are two options available to a ForexClear Clearing Member that wishes to compress ForexClear Contracts:

(a) a ForexClear Clearing Member can request that all ForexClear Contracts entered into (i) on behalf of a designated ForexClear Clearing Client and in respect of a particular Client Account, or (ii) on such ForexClear Clearing Member's own behalf, be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the ForexClear Clearing Member after the applicable scheduled compression run) until the ForexClear Clearing Member notifies the Clearing House to discontinue such compression of ForexClear Contracts. ForexClear Clearing Members should contact the Clearing House's Membership Department to request such a compression of ForexClear Contracts; or

(b) a ForexClear Clearing Member may notify the Clearing House directly through the ClearLink API specifying which ForexClear Contracts and/or Resulting ForexClear Contracts should be compressed. The ForexClear Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

1.15.2 In order to compress a ForexClear Contract, a ForexClear Clearing Member must follow the process for compression as set out above and must, at the time of compression, have in its applicable Client Account or Proprietary Account ForexClear Contracts with the same compression identifier (being an identifier

applied by the Clearing House which indicates that such ForexClear Contracts are eligible for compression).

1.15.3 In respect of each compression, the Clearing House will notify ForexClear Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant ForexClear Contracts and/or Resulting ForexClear Contracts to be compressed in order for such ForexClear Contracts and/or Resulting ForexClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all ForexClear Contracts and Resulting ForexClear Contracts notified to it prior to such cut-off time and shall notify the applicable ForexClear Clearing Member after the applicable compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.

1.15.4 Following the compression process described above and as further set out in Regulation 94, the applicable ForexClear Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed ForexClear Contracts as notified to the ForexClear Clearing Member by the Clearing House.

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Appendix F

LCH.Clearnet Limited – FCM Procedures



**FCM PROCEDURES OF
THE CLEARING HOUSE**

LCH.CLEARNET LIMITED

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2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. The clearing of FCM SwapClear Contracts is discussed in Section 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2, the clearing of FCM EnClear Contracts is discussed in Section 2.3, and the clearing of FCM Nodal Contracts is discussed in Section 2.4.

2.1 SWAPCLEAR

2.1.1 *The Clearing Process*

The FCM SwapClear Service is an interface that processes and stores all FCM SwapClear Transactions received from an FCM Approved Trade Source System.

(a) *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial and variation margin requirements;
- (iv) calculation of MER amounts and SwapClear Tolerance Limits;
- (v) calculation of Price Alignment Interest;
- (vi) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (vii) allocation and designation of trades to a position-keeping account; and
- (viii) reporting of registered trades.

FCM SwapClear Transactions submitted via an FCM Approved Trade Source System (i.e., new trades submitted for intra-day registration or existing trades submitted for overnight registration – see Section 2.1.3(e)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear clearing system. Information regarding FCM SwapClear Contracts and margin reporting will be disseminated via the Clearing House's FCM Clearing Member Reporting (see Section 2.1.1(c)).

(b) *Clearing House System Requirements*

An FCM Clearing Member must, in order to submit FCM SwapClear Transactions to the Clearing House, be a user of an FCM Approved Trade Source System.

(c) *SwapClear FCM Clearing Member Reporting*

There are three methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations and other information:

- (i) Report 001;
- (ii) Via the FCM Approved Trade Source System; and
- (iii) Via [SwapClearLink](#) API.

An end-user report generation and analytical capability is provided by the Clearing House to FCM Clearing Members. All FCM SwapClear reports will be disseminated via the Clearing House's secure password access FCM Clearing Member-only website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any FCM Approved Trade Source System.

FCM Clearing Members will be able to customize and produce reports either to print locally or to download in machine-readable data-file format. Queries about the FCM Clearing Member-only website should be directed to the Clearing House's Service Desk at +44 (0)20 7426 7200.

(d) *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) applicable law or regulation (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM SwapClear Transactions and FCM SwapClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FCM Clearing Member acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

2.1.2 *Operating Times And Calendars*

(a) *Opening Days*

The Clearing House will publish a circular detailing the days on which the FCM SwapClear clearing system will be open.

(b) *Opening Hours*

Unless notified otherwise, the FCM SwapClear clearing system will be operational during the following hours:

05:00 London time to 19:00 hours New York time (a “**Business Day**”).

However, FCM Clearing Members should note that FCM Acceptances of an FCM Notification submitted during a Business Day shall be accepted by the Clearing House until 19:01 New York time on the following day. The Clearing House will notify FCM Clearing Members in the event that the FCM SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

(c) *FCM SwapClear Clearing System Calendars*

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2.1.1(c)).

2.1.3 *Registration*

(a) *Submission for Registration*

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bi-laterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on an FCM US Trading Venue or other similar venue or facility, and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

(b) *Conditions to Registration*

Non-FCM US Trading Venue Transactions

In respect of an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction, following receipt of information from the FCM Approved Trade Source System the Clearing House will notify

the relevant FCM Clearing Member(s), via member reports, the [SwapClearLink](#) API or otherwise, that an Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the “**FCM Notification**”).

Following receipt of the FCM Notification, an FCM Clearing Member may choose to accept or refuse to register the FCM SwapClear Transaction on behalf of the Executing Party.

Where an FCM Clearing Member accepts registration of the FCM SwapClear Transaction and notifies the Clearing House of such acceptance, (such acceptance, the “**FCM Acceptance**”), the FCM Clearing Member shall, pursuant to FCM Regulation 45(b) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), be deemed to have presented the FCM SwapClear Transaction for clearing.

It is a condition for registration of an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction that, where both Executing Parties intend to register the FCM SwapClear Transaction through an FCM Clearing Member, both FCM Clearing Members accept the FCM Notification (or where such Executing Parties nominate the same FCM Clearing Member and such FCM Clearing Member accepts both acceptances) and therefore submit the FCM SwapClear Transaction to the Clearing House. In accordance with Section 2.1.3(e) of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction that, no later than the Clearing House's receipt of an FCM Acceptance, the applicable FCM Clearing Member has complied with all requirements to furnish sufficient Margin (taking into account available SwapClear Tolerance, if any) in respect of such FCM SwapClear Contract, except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Block IRS Trade. For the avoidance of doubt, in respect of the registration of such an FCM SwapClear Transaction that is a Block IRS Trade, both FCM Clearing Members must have complied with all requirements to furnish sufficient Margin (taking into account available SwapClear Tolerance, if any) at the time of the Clearing House's receipt of the second FCM Acceptance in accordance with the foregoing.

FCM US Trading Venue Transactions

In respect of an FCM US Trading Venue Transaction, the relevant FCM Clearing Member shall, pursuant to FCM Regulation 45(b), be deemed to have presented the FCM SwapClear Transaction for clearing when the Clearing House receives details of the FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to Section 2.1.3(a) of these FCM Procedures.

constituent FCM SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each FCM SwapClear Transaction that forms part of the Package Transaction as a new FCM SwapClear Transaction in accordance with the FCM Rulebook and, where each constituent FCM SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the FCM Rulebook (including an FCM Acceptance and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the FCM SwapClear Transactions within that Package Transaction. Where one or more of the constituent FCM SwapClear Transactions does not meet the Clearing House's registration requirements then all the constituent FCM SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent FCM SwapClear Transaction of a Package Transaction is an FCM US Trading Venue Transaction, it is a condition of registration that all of the constituent FCM SwapClear Transactions of such Package Transaction be FCM US Trading Venue Transactions; where such condition is not met, all constituent FCM SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising FCM SwapClear Transactions that are not executed on any FCM US Trading Venue, the Clearing House will send an FCM Notification to the relevant FCM Clearing Member(s) for the acceptance of each such constituent FCM SwapClear Transaction.

In respect of a Package Transaction submitted in an FCM Clearing Member's name, such FCM Clearing Member's Margin requirement will be assessed based on the net Margin call for all of the constituent FCM SwapClear Transactions of such Package Transaction. Where one or more of the constituent FCM SwapClear Transactions in a Package Transaction is a Block IRS Trade then the relevant FCM Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

The Clearing House may limit the number of FCM SwapClear Transactions that may be included in a Package Transaction by way of member circular.

2.1.4 *Allocation Notices*

In respect of an Allocation Notice, the Clearing House will notify the relevant Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member via member reports, the [SwapClearLink](#) API or otherwise, that an Allocation Notice has been submitted to allocate some or all of notional value of an Unallocated FCM SwapClear

- (v) The FCM SwapClear Clearing Members on either side of the trades (which may include a SwapClear Clearing Member (as defined in the UK General Regulations)) are advised of the economic details of the IMMES Trades, and their respective identities and contact details.
- (iv) The FCM SwapClear Clearing Members may but are not required to enter into the IMMES Trades. Any IMMES Trades entered into must be submitted to the Clearing House for registration.

2.1.10 *Intra-Day Margin Call: Collateral Management*

(a) *General – Intra-day Margining*

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FCM Clearing Member's PPS account to cover the Margin needed to meet that intra-day margin call.

Cash payments in respect of intra-day Margin requirements are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to avoid any intra-day liquidity issues.

2.1.11 *Compression*

(a) Pursuant to FCM Regulation [4546\(m\)](#) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

- (i) ~~Any~~ FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client or (ii) in such FCM Clearing Member's Proprietary Account be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts; ~~or~~

- (ii) **Anan** FCM Clearing Member may notify the Clearing House directly through the **SwapClearLink** API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.
- (b) In order to compress an FCM SwapClear Contract, an FCM Clearing Member must have in its applicable FCM Client Sub-Account or Proprietary Account two or more FCM SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House which indicates that such FCM SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above.
- (c) In respect of each compression, the **Clearing** House will notify Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant **FCM** SwapClear Contracts to be compressed in order for such **FCM** SwapClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all FCM SwapClear Contracts notified to it prior such cut-off time and shall notify the applicable FCM Clearing Member after the applicable compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.
- (d) Following the compression process described above and as further set out in FCM Regulation **4546**(m) (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2.1.12 *Transfers of FCM Clients*

In certain circumstance the Clearing House will transfer FCM SwapClear Contracts from one FCM Clearing Member to another FCM Clearing Member, pursuant to and in accordance with FCM Regulation 13 (*Transfer*) and these FCM Procedures.

(a) *Partial Transfers of FCM Clients*

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM SwapClear Contracts held with a Carrying Clearing Member, it shall provide the Clearing House with an FCM Client

cover posted with the Clearing House for the FCM ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

If following a Margin Run an FX FCM is required to provide additional Collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FX FCM's Liabilities exceed its available cover and any MCE then the Clearing House will issue a margin call for the amount of the shortfall plus 50 per cent. of the FX FCM's MER Buffer amount.

2.2.18 Compression

(a) Pursuant to FCM Regulation 49(1) (Registration of FCM ForexClear Contracts; Compression; ForexClear Accounts), an FCM Clearing Member may compress existing FCM ForexClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress FCM ForexClear Contracts:

(i) an FCM Clearing Member can request that all FCM ForexClear Contracts entered into (i) on behalf of a designated FCM Client and in respect of a particular FCM Client Sub-Account, or (ii) on such FCM Clearing Member's own behalf, be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM ForexClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM ForexClear Contracts; or

(ii) an FCM Clearing Member may notify the Clearing House directly through the ClearLink API specifying which FCM ForexClear Contracts and/or Resulting FCM ForexClear Contracts should be compressed. The FCM Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

(b) In order to compress an FCM ForexClear Contract, an FCM Clearing Member must follow the process for compression as set out above and must, at the time of compression, have in its applicable FCM Client Sub-Account or Proprietary Account two or more FCM ForexClear Contracts with the same compression

identifier (being an identifier applied by the Clearing House which indicates that such FCM ForexClear Contracts are eligible for compression).

(c) In respect of each compression, the Clearing House will notify Clearing Members of the cut-off time by which the Clearing House must be notified of the relevant FCM ForexClear Contracts and/or Resulting FCM ForexClear Contracts to be compressed in order for such FCM ForexClear Contracts and/or Resulting FCM ForexClear Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all FCM ForexClear Contracts and Resulting FCM ForexClear Contracts notified to it prior to such cut-off time and shall notify the applicable FCM Clearing Member after the applicable compression run of the result of such compression procedure. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day.

(d) Following the compression process described above and as further set out in FCM Regulation 49(1) (*Registration of FCM ForexClear Contracts; Compression; ForexClear Accounts*), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM ForexClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2.2.18 2.2.19 ***Transfer of FCM Clients; Defaulting FCM Clients***

In certain circumstances the Clearing House will transfer FCM ForexClear Contracts from one FCM Clearing Member to another FCM Clearing Member, pursuant to and in accordance with FCM Regulation 13 (*Transfer*) and these FCM Procedures.

(a) ***Partial Transfers of FCM Clients***

Where a Receiving Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of a portion of such FCM Client's portfolio of FCM ForexClear Contracts held with a Carrying Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see [Schedule 2.2A](#)), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM ForexClear Contracts that are to be transferred pursuant to this procedure. Following receipt of an FCM Client Partial Transfer Form, the Clearing House shall notify the Carrying Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take

Time (all references below are to New York time, unless stated otherwise)	Partial Transfer	Full Transfer (with Collateral)	Full Transfer (without Collateral)
		Collateral.	
Day 3: 14:00	Clearing House will publish to the Carrying Clearing Member and the Receiving Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts.	Clearing House will publish to the Carrying Clearing Member and the Receiving Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts.	Clearing House will publish to the Carrying Clearing Member and the Receiving Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts

The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via member circular.

2.2.192.20 ***Proprietary Account Position Transfers***

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account. Any such transfer may only occur if the Receiving Clearing Member is an affiliate of the Carrying Clearing Member.

Before the completion of a portfolio transfer, the Clearing House will perform a margin impact analysis of the transfer to the source and destination portfolios. The Clearing House will advise the relevant FX FCM regarding any additional collateral that may be required in order to complete the portfolio transfer. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department. Transfers will only be effected once adequate cover has been provided by both parties to the transfer.

2.2.202.21 ***FCM Clearing Member's Client Fund Transfer***

The FCM ForexClear Clearing System provides functionality for the transfer of FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- (a) A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per [Schedule 2.2B](#).
- (b) The FCM ForexClear Contract is registered by the Clearing House, and sufficient Margin has been furnished to cover the FCM ForexClear Contract.
- (c) Transfers are only handled within the accounts of a single FCM Clearing Member (i.e., not a transfer between two FCM Clearing Members).

Transfer requests received by ForexClear Operations prior to 15:00 London time will be managed and included in the 18:00 London time margin run. The transfer of the FCM ForexClear Contract will occur **provided that** sufficient Margin is held for the FCM Clearing Member.

~~2.2.21~~2.2.22 *ForexClear Reporting*

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service (including the FCM ForexClear Service), thus an FX FCM will receive reports in respect of the FCM ForexClear Service and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](#).³

In respect of the FCM ForexClear Service, on each business day the Clearing House will provide two sets of reports to FX FCMs: (1) Banking Reports; and (2) reports direct from the FCM ForexClear Service (together “**ForexClear Reporting**”). These Procedures reference the FCM ForexClear Service specific reports. Each day's report will remain available for download by FX FCMs from the FCM ForexClear Service Portal for five days.

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) applicable law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM ForexClear Transactions and FCM ForexClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FX FCM acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

³ http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf

(g) *Real-time Reporting*

A near real-time view of member liabilities, Collateral pledged, Margin and credit utilization will be available from the ForexClear Service Portal (referred to in Section [2.2.172-2.17](#)).

~~2.2.222.2.23~~ *Treasury Operations & Collateral Management*

(a) *Cover Distribution*

The Clearing House nets each FX FCM's Liabilities (i.e., margins and multipliers) and then the total of Cash collateral and non-cash Collateral are applied to offset those net Liabilities. This process is known as cover distribution (“**Cover Distribution**”). FX FCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FX FCM has a shortfall, a PPS (as defined in Section [2.2.23\(c\)2.2.23\(e\)](#) below) call for additional Collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 hours be repaid to the FX FCM.

(b) *Cover Distribution Notification*

FX FCMs are informed via email of their: Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)) and are directed to the ForexClear Service Portal which provides reports (at the times specified in Section [2.2.222.2.22](#)) informing FX FCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total cover posted with the Clearing House for ForexClear; and (iii) Liabilities as a percentage of their current total cover (such percentage being shown as a percentage of the aggregate cover in their cash and non-cash Collateral account(s)).

The reports accessed via the ForexClear Service Portal will enable FX FCMs to log in and examine the underlying data.

(c) *Protected Payment System*

The Clearing House operates the Protected Payments System (“**PPS**”) for transferring funds to and from its FX FCMs to cover their Margin Requirements. This is similar to a direct debit arrangement where the PPS bank confirms that any Clearing House-specified call is met.

FX FCMs are obliged to hold an account with a UK PPS bank in USD, as well as a USD account with a PPS bank in the USA.

Follow the link below for a list of PPS banks operating in the UK and US:

[List of PPS Banks⁵](#)(d) *Acceptable Forms of Collateral Cover*

Follow the link below for a detailed description of acceptable collateral and processes applicable from time to time:

[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral⁶](#)(e) *Interest and Accommodation*

Interest is paid to FX FCMs on cash Collateral held by the Clearing House. The London Deposit Rate (“LDR”) is applied.

A utilization fee, known as an accommodation charge, is charged on securities lodged at the Clearing House to cover liabilities. For an overview of interest and accommodation charges, please contact the Clearing House's Treasury Operations or follow the link below:

[Overview of interest and charges⁷](#)2.2.232.2.24 **Default Management**(a) *Portfolio Splitting*

As part of the ForexClear DMP (contained in the ForexClear DMP Annex to the Default Rules), the Clearing House may divide an Auction Portfolio into two or more individual Auction Portfolios. In circumstances where such portfolio splitting is adopted, the Clearing House will, in consultation with the ForexClear DMG (as defined in the ForexClear DMP Annex to the Default Rules), seek to create:

- (i) one or more individual Auction Portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Auction Portfolios from those which are more risk neutral; and
- (ii) one or more individual Auction Portfolios which are more risk neutral.

(b) *Acceptance of Bids*

In deciding whether to accept a bid, the Clearing House will generally accept the best bid in respect of any individual Auction. However, the Clearing House is entitled to reject a bid in the event that it considers, in its reasonable discretion that accepting the bid may:

⁵ http://www.lchclearnet.com/risk_management/ltd/pps/

⁶ http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf

⁷ http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp

by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a *pro rata* basis based on the “unit value” of each FCM ForexClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a “auction value adjustment”. For purposes of this clause (E), (1) “**unit value**” means the value applied to each FCM ForexClear Contract, based on the net present value and outstanding notional value associated with each such FCM ForexClear Contract, and (2) “**auction value adjustment**” means a ratio applied to an FCM ForexClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM ForexClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (E) are without reference to any Risk Factor or Existing Non-Porting Clients Combined Risk Factor.

- (iii) *Settlement of Non-Porting Clients Following Liquidation of Hedged Account.* Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's FCM Client Sub-Account.

2.2.242.2.25 *Payment of Stamp Tax*

Each FCM Clearing Member shall pay any stamp tax or duty levied or imposed upon it or in respect of its execution or performance of the FCM Clearing Membership Agreement, the FCM Default Fund Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction and shall indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of the FCM Clearing Membership Agreement, the FCM Regulations and the FCM Procedures (including any registration of an FCM ForexClear Contract) by any such jurisdiction.

2.2.252.2.26 *Section 696, Corporation Tax Act 2009*

The FCM Clearing Member agrees that should a situation arise where HM Revenue and Customs (“**HMRC**”) raises an enquiry, or makes an information request, to the Clearing House regarding an FCM Transaction or FCM Contract that the FCM Clearing Member is submitting (or has submitted) to the Clearing House, and that enquiry or information request is in respect of the application of s696 - s697 Corporation Tax Act 2009, the FCM Clearing

Member will use its reasonable efforts to provide such information and support as the Clearing House may reasonably require in order to respond to and effectively deal with the queries raised by HMRC.

2.2.262.2.27 **Provision of Tax Forms**

The Clearing House and each FXCCM shall provide to each FXCCM or the Clearing House, as relevant, (i) any forms or documents specified in the FCM ForexClear Contract between the Clearing House and the FXCCM and (ii) any other form, document, statement or certification reasonably requested in writing by the FXCCM or the Clearing House in order to allow the FXCCM or the Clearing House to make a payment under the Clearing House rules or any FCM ForexClear Contract without deduction or withholding for or on account of any tax or with such deduction or withholding at a reduced rate unless the Clearing House or the FXCCM can no longer deliver such form, document, statement or certification solely as a result of a change in law (including double tax treaty) or interpretation thereof after the date of the FCM ForexClear Contract between the Clearing House and the FXCCM. In the case of the Clearing House, the forms required pursuant to item (ii) above include an Internal Revenue Service Form W-8BEN. Additionally, the Clearing House will take such further actions as necessary to ensure that payments made to it can be made without deduction or withholding for or on account of any Tax.

2.2.272.2.28 **Prescribed Terms**

Pursuant to FCM Regulation 7 the Clearing House may prescribe certain provisions that an FCM ForexClear Clearing Member must include in its agreement with an FCM Client.

There an FCM ForexClear Clearing Member provides FCM Clearing Services to an FCM Client that is a registered investment company, as defined in the Investment Company Act of 1940, it shall include provisions in its agreement with that FCM Client to the following effect:

- (a) the FCM ForexClear Clearing Member shall comply with applicable law relating to the segregation of FCM Client Funds including without limitation Part 22 of the CFTC Regulations;
- (b) FCM Client Funds delivered by the FCM Client shall be held in accordance with the CEA and the CFTC Regulations and the FCM ForexClear Clearing Member shall obtain an acknowledgement, to the extent required by Parts 1.20 and 22 of the CFTC Regulations, that those FCM Client Funds are being held in accordance with the CEA and the CFTC Regulations;
- (c) the FCM ForexClear Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the FCM Client's assets as the Securities Exchange Commission, through its employees or agents, may request;