

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: May 30, 2014

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

**ORGANIZATION** LCH.Clearnet Limited

**FILING AS A:**  DCM  SEF  DCO  SDR  ECM/SPDC

## TYPE OF FILING

- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

Filing of revised rulebooks in their entirety.

## DESCRIPTION

Self-certification pursuant to §40.6(a) relating to the implementation of a substantially revised rulebook including changes for compliance with the European Market Infrastructure Regulation (“EMIR”), and fees for the new account types introduced by the rulebook



**VIA EMAIL TO: SUBMISSIONS@CFTC.GOV**

May 30, 2014

Ms. Melissa Jurgens  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Ms. Jurgens,

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification substantial revisions to its rulebooks to make them EMIR compliant and to address other issues. LCH.Clearnet is also submitting for self-certification account fees that will come into effect with the introduction of new EMIR required account structures.

The new rulebook and account fees will be implemented and become effective on June 12, 2014.

**Part I: Explanation and Analysis**

In order to become compliant with Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (known as the European Market Infrastructure Regulation, or "EMIR"), LCH.Clearnet is implementing a number of changes to its rulebook, both to change the effect of the rules and to improve the clarity and structure of the rulebook.

The changes driven by EMIR mainly come under the following categories:

- Central clearing for certain classes of OTC derivatives;
- Organisational, conduct of business and prudential requirements for CCPs;
- Reporting to trade repositories; and
- Client clearing.

Further information on the revised client clearing arrangements as contained in the UK rulebook is available here:

[http://www.lchclearnet.com/Images/Ltd\\_Legal%20Implications\\_Account%20Structures\\_22-01-2013\\_tcm6-64656.pdf](http://www.lchclearnet.com/Images/Ltd_Legal%20Implications_Account%20Structures_22-01-2013_tcm6-64656.pdf)

The EMIR changes to the FCM Regulations and FCM Procedures are described and explained in the matrix attached as Exhibit 1.

More general improvements to the UK Rulebook and FCM Rulebook include:

- a) Additional processes around the retirement and/or resignation of a Clearing Member;
- b) Provisions dealing with service withdrawal;

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- c) A mechanism for fund to fund transfer of swaps customer positions; and
- d) Operational updates to the Collateral and Financial Transaction sections of the rulebook.

In addition, a number of other changes have been made for the following purposes:

Security Interest: The FCM Rulebook required certain corrections vis-à-vis the treatment of cash collateral and default fund contributions as there is currently some ambiguity as to whether cash collateral and default fund contributions are delivered by way of title transfer or pledge. While it is clear in most of the FCM Rulebook that cash collateral can be invested (subject to applicable laws), and that default fund contributions are delivered by way of title transfer, clarifications are needed to remove contradictory language and remove any ambiguity.

Investment Act: In order to clear for a registered investment company, as defined under the Investment Company Act 1940 (a “**40 Act Fund**”), LCH.Clearnet is required by the U.S. Securities and Exchange Commission to ensure that FCM Clearing Members include certain provisions in their agreements with those 40 Act Funds. These are now being included as an explicit rulebook requirement.

FDICIA: The Federal Deposit Insurance Corporation Improvement Act (FDICIA) clarifies the nature of the relationship between a clearing organization and its clearing members in several contexts, most significantly in the bankruptcy of a U.S. clearing member. In this regard, FDICIA is the legislation that provides for the enforceability of netting and security enforcement provisions. We have included certain FDICIA provisions and the Bankruptcy Representations in order to facilitate the issuance of clean legal opinions under U.S. Federal law. These changes have also been included in the General Regulations as they apply to US non-FCM Clearing Members.

Bankruptcy Representations: Bankruptcy counsel has recommended that LCH.Clearnet obliges clearing members (FCM and non-FCM) to comply with certain legislation in connection with the signing of the Clearing Membership Agreement and the entering into of transactions that are submitted for clearing. This is related to both internal approvals and record keeping. We have included this in the FCM Procedures for both FCM Clearing Members and Non-FCM Clearing Members as it potentially impacts all US clearing members.

FCM to SCM Transfers and SCM to FCM Transfers: Wording has been included which provides for the transfer of a client from an FCM Clearing Member to a non-FCM Clearing Member and vice versa. In addition (and in response to market feedback), provisions have been included for the transfer of positions and collateral to a clearing member’s proprietary account from another clearing member’s client account, where the associated client has joined LCH.Clearnet as a direct clearing member.

Art 39 EMIR: Provisions have been introduced to permit an FCM Clearing Member to provide clearing services to certain clients in compliance with EMIR.

## Part II: Description of Rule Changes

LCH.Clearnet is attaching the following supporting documentation:

Exhibit	Description
1	Matrix describing EMIR driven changes to the FCM Regulations and FCM Procedures
2	Black-line of changes to FCM Regulations
3	Black-line of changes to FCM Procedures
4	Black-line of FCM Product Specific Contract Terms and Eligibility Criteria Manual <sup>3</sup>
5	Black-line of changes to Default Rules. <sup>1</sup>
6	Black-line of changes to Default Fund Rules <sup>1</sup>
7	Black-line of UK General Regulations <sup>2</sup>
8	Black-line of Product Specific Contract Terms and Eligibility Criteria Manual <sup>3</sup>
9	Black-line of the UK Procedures
10	Fee schedule for EMIR accounts
11	Black-line of changes to Settlement Finality Regulations

## Part III: Certification by LCH.Clearnet

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the planned changes comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. LCH.Clearnet further certifies that, upon the submission of this material, in compliance with §39.21 of the Commission's regulations, LCH.Clearnet will post a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at [http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

## Part IV: Core Principle Compliance

LCH.Clearnet will continue to comply with all Core Principles following the introduction of the proposed new rulebook. LCH.Clearnet has concluded that its compliance with the Core Principles would not be adversely affected by these changes. EMIR largely reflects international standards embodied in the CPSS-IOSCO Principles for Financial Market Infrastructures and these changes are therefore also expected to reinforce compliance with CFTC Regulations that reflect the CPSS-IOSCO Principles.

## 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 proposal.

<sup>1</sup> Please note that the former "Default Rules" and "Default Fund Rules" have been combined in a single "Default Rules" document. However the changes are shown in two separate black-lines against the current versions, for ease of review.

<sup>2</sup> The definitions from the General Regulations have been included as a separate black-line for ease of review.

<sup>3</sup> Eligibility of contracts for clearing at LCH.Clearnet has not changed but the sections, previously in the General Regulations and FCM Regulations, are now collected as a separate document. The attached black-lines show the changes between the former schedules to the General Regulations and FCM Regulations against the revised product eligibility manuals.





### **Certification**

LCH.Clearnet Limited hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the 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 please contact me at [jay.iyer@lchclearnet.com](mailto:jay.iyer@lchclearnet.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Jay Iyer', written in a cursive style.

Jay Iyer  
Chief Compliance Officer  
LCH.Clearnet Limited

**LCH.Clearnet Rule Submission**

**Exhibit 1**

**Matrix describing EMIR driven changes to the FCM Regulations and FCM Procedures**

LCH EMIR Application – Summary of Amendments to FCM Regulation and FCM Procedures of LCH.Clearnet Limited (the "FCM Rulebook")

**Introduction:**

*This table has been prepared in relation to the application of LCH.Clearnet Limited ("LCH") to the Bank of England, pursuant to Article 17 of Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR") and section 288 of the Financial Services and Markets Act 2000 ("FSMA"), to be authorised as a "recognised central counterparty" (the "EMIR Application").*

*The purpose of this table is to provide a high level summary of the key amendments that LCH has made to the FCM Rulebook in order to comply with the relevant provisions of EMIR, Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012 with regard to regulatory technical standards on requirements for central counterparties (the "CCP RTS") and Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivative contracts not cleared by a CCP (the "Indirect Clearing RTS") (and together with the CCP RTS, the "Level 1 and 2 Regulations"). In addition to amending the FCM Rulebook to comply with the Level 1 and 2 Regulations, LCH has (i) aligned the FCM Rulebook with its English law rulebook (the "English law Rulebook") and (ii) generally rationalised, clarified and restructured the FCM Rulebook in order to make it more "user-friendly". Please note that amendments which do not directly relate to a provision of the Level 1 and 2 Regulations are not summarised in this table.*

*The table sets out (i) a summary of the amendments made to the FCM Rulebook to take account of the relevant provisions of the Level 1 and 2 Regulations and (ii) a comparison against the corresponding amendments made to the English law Rulebook.*

*The table sets out only the amendments made by LCH in respect of its FCM Rulebook and does not address amendments it has made or proposes to make to any ancillary documents (including, but not limited to, its internal policies and/or processes). In addition, the table only refers to provisions of the Level 1 and 2 Regulations in respect of which LCH has made an amendment to the FCM Rulebook. For ease of review, where an amendment relates to an EMIR requirement as supplemented by the CCP RTS and/or the Indirect Clearing RTS, we have grouped the relevant provisions together.*

*Any defined terms used but not defined herein shall have the same meaning as ascribed to such terms in the FCM Rulebook.*

	Previous Position and Amendment/Deletion/Addition to the FCM Rulebook	Amendment/Deletion/Addition to the English law Rulebook
	<b>Access to a CCP</b>	
1.	<p>To satisfy the participation criteria under EMIR (see Articles 37(1), (3) and (5) of EMIR), we have amended Procedure 1 (<i>FCM Clearing Member Status</i>) to clarify that (a) admission as a Clearing Member is determined by reference to criteria that are non-discriminatory and objective; and (b) conditions which restrict clearing member access to the Clearing House will be imposed only where justified on the basis of controlling the exposure of the Clearing House to risk.</p>	<p>Equivalent changes have been made to Section 1 of the Procedures (<i>Clearing Member, Non-Member Market Participant and Dealer Status</i>) in the English law Rulebook.</p>
2.	<p>Previously, it was unclear how applications for access to the Clearing House by trading venues would be treated. EMIR requires a CCP to accept OTC derivative contracts for clearing on a non-discriminatory and transparent basis (see Article 7(1) of EMIR).</p> <p>The application process and criteria for the admission of trading venues are now set out on the Clearing House's website and Sections 2.1.3(d) (<i>SwapClear FCM Approved Trade Source Systems and FCM US Trading Venues</i>), 2.2.7(b) (<i>ForexClear FCM Approved Trade Source Systems</i>) and 2.3.1(f) (<i>OTPs</i>) of the Procedures have been amended so as to refer to the relevant area of the website.</p>	<p>Equivalent changes have been made to sub-section 1.3.4 (<i>Approved Trade Source Systems and US Trading Venues</i>) of Section 2C of the Procedures (<i>SwapClear Clearing Service</i>); sub-section 1.3.2 (<i>The ForexClear Matcher</i>) of Section 2I of the Procedures (<i>ForexClear Clearing Service</i>) has also been amended; and a new sub-sections 1.1.9 (<i>Approved EquityClear Trading Platform (ATP)</i>) and 1.1.6 (<i>OTPs</i>) have been inserted into, respectively, Section 2D of the Procedures (<i>EquityClear Clearing Service</i>) and Section 2E of the Procedures (<i>LCH EnClear OTC Clearing Services</i>).</p>

	Previous Position and Amendment/Deletion/Addition to the FCM Rulebook	Amendment/Deletion/Addition to the English law Rulebook
<b>Clearing and Segregation</b>		
3.	In most regards, the LSOC-compliant account arrangements within the Clearing House more than satisfied the minimum requirements for EMIR compliant (omnibus) account segregation (see Articles 39(2), (3) and (9) of EMIR). However, the FCM Regulations and FCM Procedures have been amended to the extent necessary to prevent assets/positions recorded in a client account being used to offset or cover asset/positions recorded in a Proprietary Account.	The English law Rulebook has been amended to provide for EMIR compliant individual segregation and omnibus segregation in respect of each clearing Service offered by the Clearing House and the relevant types of segregated account have been made available to FCMs.
4.	EMIR recognises that a party might receive clearing services as a "clearing member" or, through a clearing member, as a "client". However, other capacities such as receiving clearing services as an affiliate of a clearing member are not recognised for these purposes. An affiliate might be considered akin to a clearing member for certain purposes and akin to a client for other purposes. However, since an affiliate is a different party from the clearing member itself, it would fall to be treated as a client and positions and assets held on its behalf could not be recorded in the clearing member's Proprietary Account. The FCM Regulations and FCM Procedures have, therefore, been amended to remove this possibility (see, in particular, Regulation 7 ( <i>FCM Client Business and Proprietary Account Trading</i> ) (was formerly Regulation 4).	Similarly, the English Rulebook has been amended to remove the possibility of clearing members clearing for (third party) Dealers through their Proprietary Accounts.
5.	LCH previously accepted bank guarantees and performance bonds as collateral but these instruments do not constitute eligible collateral for the purposes of EMIR (see Article 46(1) of EMIR and Article 39 of the CCP RTS). We have, therefore, amended Section 3.4 of Procedure 3 ( <i>Financial Transactions</i> ) and Procedure 4 ( <i>Margin and Collateral</i> ) to remove references to bank guarantees and performance bonds being accepted as Collateral.	Similar amendments have been made to Section 1.4 of Procedure 3 ( <i>Financial Transactions</i> ) and to Procedure 4 ( <i>Margin and Collateral</i> ) of the English law Rulebook.
<b>Reporting Requirements</b>		
6.	Previously, the FCM Rulebook did not make provision for the Clearing House to report information to trade repositories, as required under EMIR (see Article 9). Hence, Regulation 33 ( <i>Disclosure and Reporting</i> ) (formerly Regulation 15) now includes an	Similar changes have been introduced in Regulation 41 ( <i>Disclosure and Reporting</i> ) and in Section 1.10 of Procedure 3 ( <i>Clearing</i>

	Previous Position and Amendment/Deletion/Addition to the FCM Rulebook	Amendment/Deletion/Addition to the English law Rulebook
	express power of the Clearing House to report to trade repositories. Further relevant wording is included in Procedure 3.12 ( <i>Clearing House Reporting</i> ) and in the service-specific Procedures setting out the Clearing House's reporting obligations.	<i>House Reporting</i> ) of the English law Rulebook.
7.	Previously, the only sanctions available to the Clearing House in the event of misconduct by an FCM were public censure and the publication of a notice regarding the suspension of termination of the FCM's status as a clearing member. The FCM Rulebook has now been amended so that it is aligned with the Clearing House's new operating procedure relating to penalties imposed on FCMs. In addition, Section 8.6 of Procedure 8 ( <i>Disciplinary Proceedings</i> ) now contains a power enabling the Clearing House to publish breaches by an FCM of the participation criteria and/or of the EMIR requirements relating to the disclosure by clearing members of costs and fees on a per-Service basis for the provision of clearing services to clients (see Article 38(5) of EMIR).	The same amendment has been included in Section 1.6 of Procedure 5 ( <i>Disciplinary Proceedings</i> ) of the English law Rulebook.
<b>Record Keeping</b>		
8.	Regulation 35 ( <i>Records</i> ) (formerly Regulation 17) has been amended to make it clear that records will be held for at least 10 years or as otherwise required by applicable law "notwithstanding any provision in the FCM Clearing Membership Agreement, FCM Rulebook or other agreement" so as to ensure compliance with the record keeping requirements under EMIR (see Articles 29(1) and (2) of EMIR).	Equivalent amendments have been made to Regulation 43 ( <i>Records</i> ) of the English law Rulebook.
<b>General provisions</b>		
9.	The obligations imposed by the Level 1 and 2 Regulations will be satisfied by internal policies and procedures. However, certain amendments have been made to Procedure 5 ( <i>Business Continuity</i> ) to bring this section up to date and to ensure that the language is consistent with the relevant obligations under the Level 1 and 2 Regulations and as set out in the Clearing House's policies and procedures (see Article 34 ( <i>Business Continuity</i> ) of EMIR and Articles 17 -23 of the CCP RTS).	Equivalent amendments have been made to Procedure 6 ( <i>Business Continuity</i> ) of the English law Rulebook.
10.	Procedure 6 ( <i>Appeal Procedures</i> ) and Procedure 7 ( <i>Complaints</i> ) and have been updated to ensure that they are EMIR compliant (in accordance with, in particular, Article 36(2) of	Similar changes have been made to Section 7 ( <i>Appeal Procedures</i> ) and Section 8

	Previous Position and Amendment/Deletion/Addition to the FCM Rulebook	Amendment/Deletion/Addition to the English law Rulebook
	EMIR).	<i>(Complaints)</i> of the Procedures in the English law Rulebook.
11.	Former Regulation 25(g) ( <i>Investments of FCM Client Funds</i> ) (now Regulation 7(n)), has been amended so as to clarify that investment of Client Funds or of Collateral held on behalf of a Client shall be in compliance not only with CFTC Regulation 1.25 (as previously) but also with all other requirements under applicable law (including under EMIR and, in particular, Article 47 ( <i>Investment Policy</i> )).	Not applicable.
12.	In light of the requirements in Article 5(2) of the CCP RTS, procedures for making amendments to the Rulebook have been rationalised. The process for, and wording of, Rulebook alterations, amendments and extensions will be determined by the Rules Change Committee. Regulation 36 ( <i>Alterations of FCM Regulations and the FCM Procedures</i> ) (formerly Regulation 19) has been revised to make reference to the new arrangements. The Terms of Reference of the Rules Change Committee will be publicly available via the LCH website.	Similar amendments have been made to Regulation 44 ( <i>Alteration of Regulations and the Procedures</i> ) of the English law Rulebook.

**LCH.Clearnet Rule Submission**

**Exhibit 2**  
**Black-line of changes to FCM Regulations**



**CONTENTS** FCM REGULATIONS OF  
THE CLEARING HOUSE-4  
[LCH.CLEARNET LIMITED](#)

## CONTENTS

<u>Regulation</u>	<u>Page</u>
<u>Regulation 1</u> Definitions .....	2
<del>PART I – REGULATIONS OF GENERAL APPLICABILITY.....</del>	<del>24</del>
<u>Chapter I - SCOPE.....</u>	<u>24</u>
Regulation <del>4</del> <u>2</u> Obligations of the Clearing House to each FCM Clearing Member .....	<del>24</del> <u>24</u>
Regulation <del>2</del> <u>3</u> Performance by the Clearing House of its Obligations under the Terms of an Open Contract; Novation .....	<del>22</del> <u>25</u>
<u>Chapter II - STATUS.....</u>	<u>26</u>
Regulation <del>3</del> <u>4</u> FCM Clearing Member Status <del>of the Clearing House</del> and Application of LCH Regulations .....	<del>23</del> <u>26</u>
Regulation <del>4</del> <u>5</u> <u>Resigning and Retiring Members</u> .....	<u>29</u>
<u>Regulation 6</u> <u>Service Withdrawal</u> .....	<u>31</u>
<u>Chapter III - ACCOUNTS AND CLIENT CLEARING.....</u>	<u>32</u>
<u>Regulation 7</u> FCM Client Business and FCM Client Account Segregation .....	<del>26</del> <u>32</u>
Regulation <del>5</del> <u>8</u> Proprietary Accounts and Trading .....	<del>41</del> <u>48</u>
Regulation <del>6</del> <u>9</u> Certain General Provisions Applicable to Accounts .....	<del>42</del> <u>49</u>
Regulation <del>7</del> <u>10</u> <u>Acknowledgements and Agreements of FCM Clients</u> <u>51</u>	<u>51</u>
<u>Chapter IV - CONTRACT FORMATION, REGISTRATION AND TRANSFER.....</u>	<u>53</u>
<u>Regulation 11</u> <u>Designation</u> .....	<u>53</u>
<u>Regulation 12</u> <u>Trading Information</u> .....	<del>44</del> <u>54</u>
Regulation <del>8</del> <u>13</u> <u>Transfer</u> .....	<del>45</del> <u>55</u>
<u>Chapter V - COLLATERAL AND VALUATIONS.....</u>	<u>61</u>
Regulation <del>9</del> <u>14</u> <u>Margin and Collateral</u> <del>Generally; Other Obligations</del> .....	<del>50</del> <u>61</u>
Regulation <del>9A</del> <u>15</u> <u>Margining of Swap Product Client Accounts: Certain Additional Provisions; Without Client Excess Model; With Client Excess Model</u> .....	<del>56</del> <u>69</u>
Regulation <del>10</del> <u>16</u> <u>Official Quotations and Reference Price; Settlement and Revaluation</u> ...	<del>63</del> <u>76</u>
<del>Regulation 11</del> <u>Market Disorders, Impossibility of Performance, Trade Emergency</u> .....	<del>64</del> <u>64</u>
<del>Regulation 12</del> <u>Force Majeure</u> .....	<del>66</del> <u>66</u>
<del>Regulation 13</del> <u>Invoicing Back</u> .....	<del>67</del> <u>67</u>
<del>Regulation 14</del> <u>Currency Conversion</u> .....	<del>69</del> <u>69</u>
<del>Regulation 15</del> <u>Disclosure</u> .....	<del>70</del> <u>70</u>
<del>Regulation 16</del> <u>Fees and Other Charges</u> .....	<del>71</del> <u>71</u>
<u>Chapter VI - FCM EXCHANGE CONTRACTS.....</u>	<u>77</u>
Regulation 17 <u>Records</u> .....	<del>72</del> <u>77</u>
<u>Exercise of Options</u> .....	<u>77</u>
<del>Regulation 18</del> <u>FCM Procedures</u> .....	<del>73</del> <u>73</u>

<del>Regulation 19</del> — <del>Alteration of FCM Regulations and the FCM Procedures</del> .....	<del>74</del>
<del>Regulation 20</del> — <del>Interpretation of these FCM Regulations</del> .....	<del>75</del>
<del>Regulation 21</del> — <del>Waiver</del> .....	<del>76</del>
<del>Regulation 22</del> — <del>Validity of FCM Regulations and Action</del> .....	<del>77</del>
<del>Regulation 23</del> — <del>Governing Law and Jurisdiction</del> .....	<del>78</del>
<del>Regulation 24</del> — <del>Exclusion of Liability</del> .....	<del>79</del>
<del>Regulation 24A</del> — <del>Netting</del> .....	<del>81</del>
<del>Regulation 24B</del> — <del>Distribution of Assets</del> .....	<del>83</del>
<del>Regulation 25</del> — <del>Acknowledgements and Agreements of FCM Clients and Affiliates</del> .....	<del>84</del>
<del>Regulation 26</del> — <del>FCM Exchange Contracts</del> .....	<del>86</del>
<del>Regulation 26A</del> — <del>Exercise of Options</del> .....	<del>87</del>
Regulation <del>26B</del> <u>18</u> .... Physically-Settled FCM Exchange <del>Contract</del> <u>Contracts</u> Arising <del>upon</del> <u>Upon</u> the Exercise of an Option.....	<del>88</del> <u>79</u>
Regulation <del>26D</del> <u>19</u> ..... <u>Margining of FCM Exchange Contracts</u> .....	<del>81</del> <u>81</u>
<u>Regulation 20</u> Obligation to Make and Accept Delivery Notice <del>under</del> <u>Under</u> FCM Exchange Contracts .....	<del>91</del> <u>82</u>
Regulation <del>26E</del> <u>21</u> .... Physically-Settled FCM Exchange Contracts <del>not</del> <u>Not</u> Requiring Delivery <del>Notice</del> .....	<del>94</del> <u>84</u>
Regulation <del>26F</del> <u>22</u> ..... FCM Exchange Contracts Subject to Delivery Notice .....	<del>95</del> <u>85</u>
Regulation <del>26G</del> <u>23</u> Arrangements for Delivery and Payment of Price (Physically-Settled FCM Exchange Contracts) .....	<del>97</del> <u>87</u>
Regulation <del>26H</del> <u>24</u> .....Restrictions on Clearing House’s Obligations and Liability .....	<del>99</del> <u>88</u>
Regulation <del>26I</del> <u>25</u> Arbitration: FCM Exchange Contracts .....	<del>100</del> <u>89</u>
Regulation 26J — <del>Cover</del> <u>Collateral</u> in Event of <del>a</del> Claim .....	<del>102</del> <u>91</u>
Regulation <del>26K</del> <u>27</u> .....Default of a Member: Substituted Obligation .....	<del>103</del> <u>92</u>
Regulation <del>26L</del> <u>28</u> ..... Premium Under Option Contracts .....	<del>104</del> <u>93</u>
<u>Chapter VII - DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE MAJEURE</u> .....	<u>94</u>
Regulation 27 — <del>Solvency Threatening Treasury Default Loss</del> .....	<del>105</del> <u>29</u>
..... <u>Market Disorders, Impossibility of Performance, Trade Emergency</u> .....	<u>94</u>
<u>Regulation 30</u> <u>Force Majeure</u> .....	<u>96</u>
<u>Chapter VIII - INVOICING BACK AND CURRENCY CONVERSION</u> .....	<u>97</u>
<u>Regulation 31</u> <u>Invoicing Back</u> .....	<u>97</u>
<u>Regulation 32</u> <u>Currency Conversion</u> .....	<u>99</u>
<u>Chapter IX - DISCLOSURE, FEES, RECORDS AND AMENDMENTS</u> .....	<u>100</u>

<a href="#">Regulation 33</a>	<a href="#">Disclosure and Reporting</a>	<a href="#">100</a>
<a href="#">Regulation 34</a>	<a href="#">Fees and Other Charges</a>	<a href="#">101</a>
<a href="#">Regulation 35</a>	<a href="#">Records</a>	<a href="#">102</a>
<a href="#">Regulation 36</a>	<a href="#">Alteration of FCM Regulations and the FCM Procedures</a>	<a href="#">103</a>
<a href="#">Chapter X - NETTING AND DISTRIBUTION</a>		<a href="#">104</a>
<a href="#">Regulation 37</a>	<a href="#">Netting</a>	<a href="#">104</a>
<a href="#">Regulation 38</a>	<a href="#">Distribution of Assets</a>	<a href="#">108</a>
<a href="#">Chapter XI - MISCELLANEOUS</a>		<a href="#">109</a>
<a href="#">Regulation 39</a>	<a href="#">FCM Procedures</a>	<a href="#">109</a>
<a href="#">Regulation 40</a>	<a href="#">Interpretation of these FCM Regulations</a>	<a href="#">110</a>
<a href="#">Regulation 41</a>	<a href="#">Waiver</a>	<a href="#">111</a>
<a href="#">Regulation 42</a>	<a href="#">Validity of FCM Regulations and Action</a>	<a href="#">112</a>
<a href="#">Regulation 43</a>	<a href="#">Governing Law and Jurisdiction</a>	<a href="#">113</a>
<a href="#">Regulation 44</a>	<a href="#">Exclusion of Liability</a>	<a href="#">114</a>
<a href="#">Regulation 45</a>	<a href="#">Solvency Threatening Treasury Default Loss</a>	<a href="#">116</a>
<a href="#">PART II – REGULATIONS APPLICABLE TO <a href="#">Chapter XII - FCM SWAPCLEAR</a></a>		
	<a href="#">CONTRACTS</a>	<a href="#">108</a>
	<a href="#">REGULATIONS</a>	<a href="#">118</a>
<a href="#">Regulation <del>30</del>46</a>	<a href="#">Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts</a>	<a href="#">108</a> <a href="#">118</a>
<a href="#">Regulation <del>31</del></a>	<a href="#">Daily Marking to Market</a>	<a href="#">116</a> <a href="#">47</a>
	<a href="#">Collateralization of FCM SwapClear Contracts</a>	<a href="#">126</a>
<a href="#">Regulation <del>32</del>48</a>	<a href="#">The <del>reset rate</del>Reset Rate for, and the <del>net present value</del>Net Present Value of, an FCM SwapClear Contract</a>	<a href="#">117</a> <a href="#">127</a>
<a href="#">Regulation <del>33</del></a>	<a href="#">Withdrawal of the FCM SwapClear Service by the Clearing House</a>	<a href="#">118</a>
<a href="#">PART III – REGULATIONS APPLICABLE TO <a href="#">Chapter XIII - FCM FOREXCLEAR</a></a>		
	<a href="#">CONTRACTS</a>	<a href="#">120</a>
	<a href="#">REGULATIONS</a>	<a href="#">128</a>
<a href="#">Regulation <del>40</del>49</a>	<a href="#">Registration of FCM ForexClear Contracts; ForexClear Accounts</a>	<a href="#">120</a> <a href="#">128</a>
<a href="#">Regulation <del>41</del>50</a>	<a href="#">Cancellation of FCM ForexClear Contracts</a>	<a href="#">125</a> <a href="#">133</a>
<a href="#">Regulation <del>42</del>51</a>	<a href="#">Variation Margin</a>	<a href="#">126</a> <a href="#">134</a>
<a href="#">Regulation <del>43</del></a>	<a href="#">Withdrawal of the FCM ForexClear Service by the Clearing House</a>	<a href="#">127</a>
<a href="#">Regulation <del>44</del></a>	<a href="#">Discontinuation of a Settlement Rate Option</a>	<a href="#">128</a>
<a href="#">Chapter XIV - FCM ENCLEAR REGULATIONS</a>		<a href="#">135</a>
<a href="#">Regulation <del>50</del>52</a>	<a href="#">Registration of FCM EnClear Contracts</a>	<a href="#">130</a> <a href="#">135</a>
<a href="#">Regulation <del>51</del>53</a>	<a href="#">FCM EnClear Contracts</a>	<a href="#">131</a> <a href="#">137</a>
<a href="#">Regulation <del>52</del>54</a>	<a href="#">Daily Settlement</a>	<a href="#">133</a> <a href="#">139</a>
<a href="#">Regulation <del>53</del></a>	<a href="#">Withdrawal of the FCM EnClear Service by the Clearing House</a>	<a href="#">134</a>

~~PART V — REGULATIONS APPLICABLE TO~~ Chapter XV - FCM NODAL CONTRACTS

~~.....136~~ REGULATIONS

~~.....140~~

Regulation ~~60~~55 Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts.....~~136~~140

Regulation ~~64~~56 Nodal Contracts .....~~138~~142

Regulation ~~62~~57 Daily Settlement or Marking to Market.....~~140~~144

~~SCHEDULE A — FCM SWAP CLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....1~~

~~SCHEDULE B — FCM FOREX CLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....1~~

~~SCHEDULE C — FCM EN CLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA.....1~~

## LCH.CLEARNET LIMITED

### FCM REGULATIONS OF THE CLEARING HOUSE Scope

Save where expressly stated to the contrary in these FCM Regulations or the FCM Procedures, these FCM Regulations govern the clearing of FCM Contracts by FCM Clearing Members through LCH.Clearnet Limited. They do not govern any other clearing services provided by LCH.Clearnet Limited, LCH.Clearnet SA, [LCH.Clearnet LLC](#) or any other affiliates of [the](#) LCH.Clearnet Group, ~~Ltd,~~ ~~all~~ [each](#) of which ~~are~~ [is](#) governed by [a](#) separate ~~sets~~ [set](#) of rules.

#### Definitions

For the purposes of these FCM Regulations, LCH.Clearnet Limited is referred to as the “**the Clearing House**”. The term “**FCM Clearing Member**” is used to refer to an entity which is entitled to receive clearing services from LCH.Clearnet Limited (see FCM Regulation 1). FCM Clearing Member status does not confer any rights as a “shareholder” or similar status with respect to LCH.Clearnet Limited or of any other entity in the LCH.Clearnet Group.

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

**REGULATION 1 DEFINITIONS**

In these FCM Regulations and the FCM Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

**“Account Manager  
Executing Party”**

- **Means** ~~means~~ an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions.

~~Affiliate~~ **“Affected Client”**

- ~~Means, with respect to~~ **means a client of** an FCM Clearing Member, ~~any entity that controls, is controlled by or is under common control with such FCM Clearing Member, and the account of which, when carried by the FCM Clearing Member, would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 (or any such successor or replacement regulation) (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client’s jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client.~~

~~Allocating SwapClear  
Transaction~~ **“Aggregate  
Excess Loss”**

- ~~Has~~ **has** the meaning assigned to ~~such term in FCM Regulation 30(p)(iii)~~ **it in the Clearing House’s “General Regulations”**.

**“Allocation Notice”**

- ~~Has~~ **has** the meaning assigned to such term in FCM Regulation ~~30~~**46**(~~po~~)(iii).

**“Approved Broker”**

- ~~A~~ **means a** person authorized by the Clearing House to participate as a broker in the LCH EnClear OTC Services (as such term is used in the UK General Regulations), including the FCM EnClear Clearing Services as the context may require.

**“Assumed Allocation”**

- ~~Has~~ **has** the meaning assigned to it in FCM Regulation ~~9A~~**15**(d)(iii).

**“Auction Portfolio”**

- ~~Has~~ **has** the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

**“Available FCM Buffer”**

- ~~Means~~ **means**, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited

	<p>therein that is not Encumbered FCM Buffer (as described in FCM Regulation <a href="#">9A.15(c)(ii)(A)</a>), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation <a href="#">9A.15(d)(iv)</a>).</p>
<u>“Backload Registration Cycle”</u>	- <a href="#">Has</a> <a href="#">has</a> the meaning assigned to such term in the FCM Procedures.
<u>“Backloaded Trade”</u>	- <a href="#">Has</a> <a href="#">has</a> the meaning assigned to such term in the FCM Procedures.
<u>“Base Currency”</u>	- <a href="#">Has</a> <a href="#">has</a> the meaning assigned to such term in FCM Regulation <a href="#">24A.37(d)(ii)</a> .
<u>“Block IRS Trade”</u>	- <a href="#">Means</a> <a href="#">means</a> a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.
<u>“Business Category of FCM Contract”</u>	- <a href="#">Means</a> <a href="#">means</a> a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of <del>cover</del> <a href="#">Margin</a> required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the “ <b>SwapClear Business Category</b> ”), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the “ <b>ForexClear Business Category</b> ”), (3) FCM EnClear <del>Contracts</del> <a href="#">Contract</a> (referred to in the FCM Rulebook as the “ <b>EnClear Business Category</b> ”) and (4) FCM Nodal Contracts (referred to in the FCM Rulebook as the “ <b>Nodal Business Category</b> ”).
<u>“Business Day”</u>	- <a href="#">Means</a> <a href="#">means</a> , in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms, FCM EnClear Contract Terms or FCM Nodal Contract Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures.
<u>“Buyer”</u>	- <a href="#">Means</a> <a href="#">means</a> an FCM Clearing Member (or the Clearing House where the context so requires) who is a buyer under



	the terms of an FCM Exchange Contract.
<u>“Carrying FCM Clearing Member”</u>	- Means <u>(i)</u> an FCM Clearing Member <del>carrying</del> <u>that has</u> 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 <del>8</del> <u>13</u> and in accordance with the FCM Procedures <u>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).</u>
<u>“Cash-Settled FCM Exchange Contract”</u>	- <del>Means</del> <u>means</u> an FCM Exchange Contract which is to be settled by cash-settlement only.
<u>“CEA”</u>	- <del>Means</del> <u>means</u> the U.S. Commodity Exchange Act.
<u>“CFTC”</u>	- <del>Means</del> <u>means</u> the U.S. Commodity Futures Trading Commission.
<u>“CFTC Regulations”</u>	- <del>Means</del> <u>means</u> the rules and regulations promulgated by the CFTC.
<u>“Cleared Swap”</u>	- <del>Means</del> <u>means</u> “Cleared Swap” as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to Swap Products.
<u>“Cleared Swaps Account Class”</u>	- <del>Means</del> <u>means</u> the account class for cleared swaps accounts (as defined in CFTC <del>Regulation</del> <u>Regulations</u> 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.
<u>“Cleared Swaps Customer Account”</u>	- <del>Means</del> <u>means</u> “Cleared Swaps Customer Account” as such term is defined in CFTC Regulation 22.1.
<u>“Clearing House”</u>	- <del>Means</del> <u>means</u> LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom.
<u>“Closing-out Contract”</u>	- <del>Means</del> <u>means</u> , 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.

**“Collateral”**

means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member’s Proprietary Account or its FCM Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House. For the avoidance of doubt, Collateral will not include, and will not be comprised of, an FCM Clearing Member’s Contribution.

**“Commodity” or  
“commodity”**

- **Means**means any “commodity” (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract.

~~Collateral~~ **“Contribution”**

- ~~Means the cash, securities or other collateral or assets deposited with or to be deposited with~~ (has the meaning assigned to it in the UK General Regulations, and as used herein refers to one or more of the Contributions of one or more FCM Clearing Members or Non-FCM Clearing Members, as the context may require) ~~the Clearing House by an FCM Clearing Member or otherwise furnished to an FCM Clearing Member’s Proprietary Account or its FCM Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House.~~

**“cover”**

- **Means**means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook.

**“CVR” or “Collateral Value Report”**

- **Has**has the meaning assigned to it in FCM Regulation ~~9A15~~15(d)(ii).

~~defaulter~~ **“Defaulter”**

- **Has**has the meaning assigned to it in rule 4 of the Default Rules.

**“Default Fund**

- ~~Means the Clearing House’s~~ has the meaning assigned to it in rule 3 of the Default ~~Fund~~ Rules ~~from time to time in~~

Rules Notice“Default Rules”“Delivery Month”“Delivery Notice”“Economic Terms”“EMIR Client Clearing”“Encumbered FCM Buffer”“Exchange”“Exchange Board”“Exchange Rules”

force.

- Means means the Clearing House’s Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989.
- In respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules applicable to such FCM Exchange Contract.
- Means means a notice in writing, given by or on behalf of a Seller (or Buyer where Exchange Rules so require) pursuant to Exchange Rules, these FCM Regulations and the FCM Procedures, of the Seller’s (or Buyer’s) intention to make (or take) delivery of a commodity in connection with an FCM Exchange Contract.
- Means means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM EnClear Contract Terms designated as Economic Terms by the Clearing House from time to time.

means the provision of Client Clearing Services on an Individual Segregated Account or Omnibus Segregated Account basis as set out in the Regulation 10 and Regulation 11 of the UK General Regulations (capitalized terms used and not otherwise defined herein bearing the same meanings set out in the UK General Regulations).

- Has the meaning assigned to it in FCM Regulation 9A15(c)(ii)(A).
- Means means an organization (whether an exchange, association, company, corporation, limited partnership or otherwise), including a designated contract market (designated as such by the CFTC), responsible for administering a futures, options, or stock market (in its capacity as the administrator of such a market), to which the Clearing House provides FCM Clearing Services.
- Means means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.
- Means means the rules, regulations, administrative procedures, memorandum and articles of association, charter, certificate of incorporation, by-laws or similar constituent documents which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its

	Board and any procedures, practices and administrative requirements of the Exchange.
<u>“Excess Margin”</u>	- <b>Means means</b> , in respect of (i) an FCM Client Sub-Account (excluding FCM Buffer and Encumbered FCM Buffer), (ii) an FCM Clearing Member’s Proprietary Account, or (iii) an FCM Omnibus Futures Client Account with LCH, the amount (if any) by which the Margin attributable to any such account exceeds the Required Margin applicable to the FCM Contracts registered to such account each as determined by the Clearing House in accordance with the FCM Rulebook.
<u>“Executing Party”</u>	- <b>Means means</b> each person described as a party to an FCM Transaction in the details submitted to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System.
<u>“Expiry Month”</u>	- <b>Means a</b> month prescribed by Exchange Rules in respect of an FCM Option Contract.
<u>“FCM”</u>	- <b>Means means</b> a futures commission merchant, as defined in the CEA and the CFTC Regulations promulgated thereunder, that is registered in such capacity with the CFTC.
<u>“FCM Approved Trade Source System”</u>	- <b>Means means</b> 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 “ <b>SwapClear API</b> ” is not an FCM Approved Trade Source System.
<u>“FCM Buffer”</u>	- <b>Has</b> the meaning assigned to such term in FCM Regulation <b>9A15</b> (a).
<u>“FCM Buffer Sub-Account”</u>	- <b>Has</b> the meaning assigned to such term in FCM Regulation <b>9A15</b> (a).
<u>“FCM Clearing Member”</u>	- <b>Means means</b> 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 “ <b>Clearing Member</b> ” for all purposes under the Default Rules, <del>the Default Fund Rules</del> and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations.

- “FCM Clearing Membership Agreement” - **Means**means the agreement so designated under which, *inter alia*, 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**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**means a client of an FCM Clearing Member ~~(but not including Affiliates of such 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 Member.
- “FCM Client Business” - **Means**means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients.
- “FCM Client Funds” - **Means**means all FCM Swaps Client Funds and/or FCM Futures Client Funds, as the context may require.
- “FCM Client Segregated Depository Account” - **Means**means an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account, as the context may require.
- “FCM Client Sub-Account” - **Means**means an individual segregated sub-account on behalf of an individual FCM Client, established on the books of the Clearing House as a sub-account of the relevant FCM Omnibus Swaps Client Account with LCH of an FCM Clearing Member which shall reflect the relevant Margin balance attributable to such sub-account, and the relevant FCM Contracts registered to such sub-account and carried for such FCM Client by its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member and/or an FCM Approved Trade Source System to the Clearing House. Each FCM Client will have an FCM Client Sub-Account in the relevant FCM Omnibus Swaps Client Account with LCH for each Business Category of FCM Contracts in which such FCM Client clears Swap Products.

- “FCM Client Sub-Account Balance”** - **Means**means, at any given time, the legally segregated value of the Margin balance attributable to an FCM Client Sub-Account of the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess.
- “FCM Contract”** - **Means**means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM EnClear Contract or an FCM Nodal Contract. **“FCM Contracts”** means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM EnClear Contracts and FCM Nodal Contracts, collectively.
- “FCM Contract Terms”** - **Means**means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, the FCM EnClear Contract Terms and the FCM Nodal Contract Terms, collectively.
- “FCM Default Fund Agreement”** - **Means**means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and ~~the Clearing House relating to~~ the Clearing House's relating to the “default fund funds” of the Clearing House.
- “FCM Eligible US Trading Venue”** - **Means**means, in respect of an FCM Clearing Member, an FCM US Trading Venue for which the Clearing House's records reflect that such FCM Clearing Member has completed the Clearing House's process for enabling the FCM Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such FCM US Trading Venue to the Clearing House for registration.
- “FCM EnClear Clearing Services”** - **Means**means the services provided by an FCM Clearing Member in connection with FCM EnClear Contracts cleared on behalf of its FCM Clients ~~or its Affiliates, as the case may be.~~
- “FCM EnClear Clearing Member”** - **Means**means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM EnClear Transactions and register FCM EnClear Contracts.
- “FCM EnClear Contract”** - **Means**means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM EnClear Contract Terms, and which is governed by these FCM Regulations.



- “FCM EnClear Contract Terms”** - **Means**means the terms applicable to each FCM EnClear Contract as set out from time to time in the [FCM Regulations Product Specific Contract Terms and Eligibility Criteria Manual](#).
- “FCM EnClear Product Eligibility Criteria”** - **Means**means the product criteria set out in paragraph 1.2 of Part B of Schedule ~~C to these FCM Regulations~~ [3 to the FCM Product Specific Contract Terms and Eligibility Manual](#).
- “FCM EnClear Transaction”** - **Means**means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM EnClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM EnClear Contract or a Non-FCM EnClear Contract.
- “FCM Exchange Contract”** - **Means**means an FCM Contract arising out of a transaction executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange. Such FCM Contracts are: FCM Nodal Contracts.
- “FCM Exchange Contract Subject to Delivery Notice”** - **Means**means a Physically-Settled FCM Exchange Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook.
- “FCM Exchange Transaction”** - **Means**means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a “Cleared Exchange Contract” with a Non-FCM Clearing Member governed by the UK General Regulations.
- “FCM ForexClear Clearing Member”** - **Means**means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM ForexClear Transactions and register FCM ForexClear Contracts.
- “FCM ForexClear Clearing Services”** - **Means**means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on behalf of its FCM Clients ~~or its Affiliates, as the case may be.~~
- “FCM ForexClear** - **Means**means a contract that is registered for clearing and is entered into by the Clearing House with an FCM

<u>Contract</u>	Clearing Member on the FCM ForexClear Contract Terms, and which is governed by these FCM Regulations.
<u>“FCM ForexClear Contract Terms”</u>	- <u>Meansmeans</u> the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM <u>RegulationsProduct Specific Contract Terms and Eligibility Criteria Manual</u> .
<u>“FCM ForexClear Product Eligibility Criteria”</u>	- <u>Meansmeans</u> the product criteria <sup>2</sup> of Part B of Schedule <del>B to these FCM Regulations</del> <u>2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual</u> .
<u>“FCM ForexClear Transaction”</u>	- <u>Meansmeans</u> any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract.
<u>“FCM Futures Client Funds”</u>	- <u>Meansmeans</u> all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member ( <i>i.e.</i> , not furnished to the Clearing House) on behalf of its FCM Clients with respect to Futures Products or other Futures/Options Contracts.
<u>“FCM Futures Client Segregated Depository Account”</u>	- <u>Meansmeans</u> an omnibus account <del>located in the United States and</del> maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS <del>accounts</del> <u>Accounts</u> ”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(a) of the CEA and the CFTC Regulations, <u>and</u> which contains the FCM Futures Client Funds of its FCM Clients held in connection with Futures Products or other Futures/Options Contracts (and, if applicable, the funds of other futures customers of an FCM Clearing Member held in connection with other Futures/Options Contracts).
<u>“FCM Nodal Clearing Member”</u>	- <u>Meansmeans</u> an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Nodal Transactions and register FCM Nodal Contracts.
<u>“FCM Nodal Clearing Services”</u>	- <u>Meansmeans</u> the services provided by an FCM Clearing Member in connection with FCM Nodal Contracts cleared on behalf of its FCM Clients <del>or its Affiliates, as the case may be.</del>



- “FCM Nodal Contract”** - **Means**means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM Nodal Contract Terms, and which is governed by these FCM Regulations.
- “FCM Nodal Contract Terms”** - **Means**means the “terms applicable to each FCM Nodal Contract Terms” as such term is defined in the UK General Regulations as set out from time to time in the Nodal contract specifications provided in the Nodal Rules.
- “FCM Nodal Transaction”** - **Means**means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM Nodal Contract, and the other side of such transaction registered with the Clearing House as either an FCM Nodal Contract or a Non-FCM Nodal Contract.
- “FCM Omnibus Client Account with LCH”** - **Means**means either an FCM Omnibus Swaps Client Account with LCH or an FCM Omnibus Futures Client Account with LCH.
- “FCM Omnibus EnClear Client Account with LCH”** - **Means**means an omnibus account ~~located in the United States and~~ maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM EnClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus EnClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM EnClear Contracts. Each FCM Omnibus EnClear Client Account with LCH is a book-entry account, the associated Collateral of which is contained in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus EnClear Client Account with LCH.
- “FCM Omnibus ForexClear Client Account with LCH”** - **Means**means an omnibus account ~~located in the United States and~~ maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM ForexClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus ForexClear Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM ForexClear Contracts. Each FCM Omnibus ForexClear Client Account with LCH is a book-entry account, the associated Collateral of which

is ~~contained~~held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus ForexClear Client Account with LCH.

~~FCM Omnibus Futures Client Account with LCH~~

~~- Means an FCM Omnibus Nodal Client Account with LCH.~~

“FCM Omnibus Nodal Client Account with LCH”

- ~~Means~~means an omnibus account ~~located in the United States and~~ maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM Nodal Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus Nodal Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM Nodal Contracts. Each FCM Omnibus Nodal Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Futures Client Segregated Depository Account.

“FCM Omnibus Futures Client Account with LCH”

means an FCM Omnibus Nodal Client Account with LCH.

“FCM Omnibus SwapClear Client Account with LCH”

- ~~Means~~means an omnibus account ~~located in the United States and~~ maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client Account with LCH will not ~~contain~~have attributed to it any FCM Contracts or Margin other than in connection with FCM SwapClear Contracts. Each FCM Omnibus SwapClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH.

“FCM Omnibus Swaps Client Account with LCH”

- ~~Means~~means either an FCM Omnibus SwapClear Client Account with LCH, an FCM Omnibus ForexClear Client Account with LCH, ~~an FCM Omnibus SwapClear Client Account with LCH~~ or an FCM Omnibus EnClear Client Account with LCH.

“FCM Option Contract”

- ~~Means~~means an FCM Exchange Contract which is a contract for an Option.

<u>“FCM Procedures”</u>	- <u>Means means</u> the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House. <u>For the avoidance of doubt, a reference to “FCM Procedures” is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organization.</u>
<u>“FCM <del>Regulations</del> Product Specific Contract Terms and Eligibility Criteria Manual”</u>	- <del>Means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only,</del> <u>means the FCM Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time in force.</u>
<u>“FCM Regulations”</u>	<u>means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only, from time to time in force.</u>
<u>“FCM Rulebook”</u>	- <u>Means means</u> the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time.
<u>“FCM SwapClear Clearing Services”</u>	- <u>Means means</u> the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients <del>or its Affiliates, as the case may be.</del>
<u>“FCM SwapClear Contract”</u>	- <u>Means means</u> a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations.
<u>“FCM SwapClear Contract Terms”</u>	- <u>Means means</u> the terms applicable to each FCM SwapClear Contract as set out from time to time in the <u>FCM Regulations Product Specific Contract Terms and Eligibility Criteria Manual.</u>
<u>“FCM SwapClear Product Eligibility Criteria”</u>	- <u>Means means</u> the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and paragraph 3 of Part B of Schedule <del>A to these FCM Regulations</del> <u>1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.</u>

**“FCM SwapClear Transaction”**

- **Means**means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing.

**“FCM Swaps Client Funds”**

- **Means**means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to **Swap**Swaps Products or other Cleared Swaps.

**“FCM Swaps Client Segregated Depository Account”**

- **Means**means an omnibus account ~~located in the United States and~~ maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable “PPS ~~accounts~~Accounts”, which are described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account, and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps).

**“FCM Transaction”**

- **Means**means either an FCM SwapClear Transaction, an FCM ForexClear Transaction, an FCM EnClear Transaction, or an FCM Exchange Transaction (including an FCM Nodal Transaction), as ~~applicable~~the context may require.

**“FCM US Trading Venue”**

- **Means**means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, an FCM US Trading Venue need not be an FCM Approved Trade Source System.

**“FCM US Trading Venue Transaction”**

- **Means**means, in respect of an FCM Clearing Member, a transaction recorded in the Clearing House’s systems (via applicable messaging from the relevant FCM US Trading Venue, FCM Approved Trade Source System or

otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an FCM Eligible US Trading Venue in respect of such FCM Clearing Member.

**“FDICIA”**

means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.

**“First EnClear Clearing Member”**

- ~~Has~~has the meaning assigned to it in FCM Regulation ~~54~~53(a).

**“First Nodal Clearing Member”**

- ~~Has~~has the meaning assigned to it in FCM Regulation ~~64~~56(a).

**“ForexClear Clearing Member”**

- ~~Means~~means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.

**“ForexClear Contribution”**

- ~~Means~~means, in relation to the Default ~~Fund~~ Rules, the meaning assigned to it in rule ~~47~~16 of the Default ~~Fund~~ Rules.

**“ForexClear DMP”**

- ~~Has~~has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules.

**“Futures Account Class”**

- ~~Means~~means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(a) of the CEA.

**“Futures/Options Contract”**

- ~~Means~~means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer.

**“Futures Product”**

- ~~Means~~means a Product which constitutes a Futures/Options Contract. Such Products are: FCM Nodal Contracts.

**“Hedged Account”**

- ~~Has~~has the meaning assigned to it in the FCM Procedures.

**“Ineligible FCM ForexClear Contract”**

- ~~Has~~has the meaning assigned to it in FCM Regulation ~~40~~49(~~fe~~)(ii).

**“Ineligible FCM ForexClear Transaction”**

- ~~Has~~has the meaning assigned to it in FCM Regulation ~~40~~49(~~fe~~)(i).

- “Ineligible FCM SwapClear Contract”**
- **Has** the meaning assigned to it in FCM Regulation ~~304~~46(f).
- “Ineligible FCM SwapClear Transaction”**
- **Has** the meaning assigned to it in FCM Regulation ~~304~~46(f).
- “Initial Margin”**
- **Means** means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such Margin held in respect of the Clearing House’s initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts.
- “LCH.Clearnet Group”**
- **Means** means the group of undertakings consisting of LCH.Clearnet Limited, LCH.Clearnet Group Limited, LCH.Clearnet LLC, LCH.Clearnet (Luxembourg) S.a.r.l., LCH.Clearnet Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH.Clearnet SA. (**Reference** any reference to a “**member**” of LCH.Clearnet Group Limited within these FCM Regulations is to be construed accordingly).
- “LCH Approved Outsourcing Agent”**
- **Means** means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures.
- “LCH EnClear OTC Clearing Member”**
- **Means** means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
- “LCH Futures Client Segregated Depository Account”**
- **Means** means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) ~~located in the United States~~ **and** maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is part of the Futures Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Futures Products cleared for such FCM Clients by such FCM Clearing Members.
- “LCH Swaps Client Segregated Depository Account”**
- **Means** means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) ~~located in the United States~~



	<p><b>and</b> maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Swaps Products cleared for such FCM Clients by such FCM Clearing Members.</p>
<b><u>“Lot”</u></b>	- <b>Means</b> <u>means</u> the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an FCM Exchange Contract.
<b><u>“Margin”</u></b>	- <b>Means</b> <u>means</u> , with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook.
<b><u>“MCE”</u></b>	- <b>Has</b> <u>has</u> the meaning assigned to it in Section <del>2B.12.3</del> <u>2.2.12(c)</u> of the FCM Procedures.
<b><u>“MER”</u></b>	- Has the meaning assigned to it in Section <del>2A.3.3</del> <u>2.1.3(c)</u> of the FCM Procedures.
<b><u>“Nodal”</u></b>	- <b>Means</b> <u>means</u> Nodal Exchange, LLC of 8065 Leesburg Pike, 3 <sup>rd</sup> Floor, Vienna, VA 22182, United States of America.
<b><u>“Nodal Eligible Derivative Product”</u></b>	- <b>Means</b> <u>means</u> a derivative product prescribed from time to time by the Clearing House as eligible for the FCM Nodal Clearing Service.
<b><u>“Nodal’s Rules”</u></b>	- <b>Means</b> <u>means</u> the rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.
<b><u>“Nodal Service Clearing Member”</u></b>	- <b>Means</b> <u>means</u> a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<b><u>“Nodal Trading Facility”</u></b>	- <b>Means</b> <u>means</u> the facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.

<u>“Non-FCM Clearing Member”</u>	- <b>Means</b> <u>means</u> either a SwapClear Clearing Member, a ForexClear Clearing Member, an LCH EnClear OTC Clearing Member or a Nodal Service Clearing Member, as applicable.
<u>“Non-FCM Contract”</u>	- <b>Means</b> <u>means</u> either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract, a Non-FCM EnClear Contract or a Non-FCM Nodal Contract, as applicable.
<u>“Non-FCM EnClear Contract”</u>	- <b>Means</b> <u>means</u> an “LCH EnClear OTC Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<u>“Non-FCM ForexClear Contract”</u>	- <b>Means</b> <u>means</u> a “ForexClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<u>“Non-FCM Nodal Contract”</u>	- <b>Means</b> <u>means</u> a “Nodal Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<u>“Non-FCM SwapClear Contract”</u>	- <b>Means</b> <u>means</u> a “SwapClear Contract” (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations.
<u>“Non-Porting Client”</u>	- <b>Has</b> <u>has</u> the meaning assigned to it in the FCM Procedures.
<u>“Official Quotation”</u>	- <b>Means</b> <u>means</u> a price determined by the Clearing House under FCM Regulation <del>40</del> <u>15</u> .
<u>“Omnibus Collateral Value”</u>	- <b>Means</b> <u>means</u> , at any given time in respect of an FCM Omnibus Swaps Client Account with LCH, the aggregate Margin, as determined by the Clearing House in accordance with the FCM Rulebook, attributable to such FCM Omnibus Swaps Client Account with LCH (and regardless of whether such Margin is attributed to an FCM Client Sub-Account, the FCM Buffer Sub-Account or the Unallocated Excess Sub-Account).
<u>“Open Contract” or “open contract”</u>	- <b>Means</b> <u>means</u> an FCM Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms <b>“Open Contract”</b> and <b>“open contract”</b> shall not include a Closing-out Contract.
<u>“Option”</u>	- <b>Means</b> <u>means</u> a right (but not the obligation) pursuant to an FCM Option Contract, to enter into a Cash-Settled FCM Exchange Contract or a Physically-Settled FCM Exchange Contract.



“Other Specific Regulations”

- Means means the Clearing House’s Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time.

“Permitted Depository”

- Means means (i) with respect to FCM Swaps Client Funds or Collateral held in connection with Swap Products, “Permitted Depository” as such term is defined in CFTC Regulations 22.1 and ~~22.4~~.22.4, and (ii) with respect to FCM Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49.

“Physically-Settled FCM Exchange Contract”

- Means means an FCM Exchange Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or on the date agreed between the parties.

“Portfolios”

- Has has the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

“Porting FCM Contracts Collateral”

- Has has the meaning assigned to it in FCM Regulation 813(a).

“Porting Contracts”

has the meaning assigned to it in FCM Regulation 13(a)

“Premium”

means the consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures.

“Price”

- Means means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures.

~~Premium~~ “Product”

- ~~The consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures~~ means a Swap Product or a Futures Product, as the context may require.

~~Product~~

~~Means a Swap Product or a Futures Product.~~

“Prompt Date”

- In respect of an FCM Exchange Contract, has the meaning ascribed to it in the Exchange Rules governing such FCM Exchange Contract.

“Proprietary Account”

- ~~Means~~means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM Contracts made by the FCM Clearing Member for its own account ~~or accounts of its Affiliates (but never accounts of its FCM Clients)~~ are registered and to which monies in respect of such FCM Contracts are credited.

“Rate X and Rate Y”

- ~~Means~~means, in relation to an FCM SwapClear Transaction or an FCM SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party.

“Receiving FCM Clearing Member”

- ~~Means an FCM Clearing Member receiving~~means (i) an FCM Clearing Member or (ii) where the Porting Contracts are FCM SwapClear Contracts, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member) in each case nominated by an FCM Client to receive the transfer of part or all of the FCM Contracts and associated Collateral attributable to ~~an~~such FCM Client from ~~at~~the Carrying ~~FCM~~ Clearing Member that previously carried such account, pursuant to FCM Regulation ~~8~~13 and in accordance with the FCM Procedures. For the avoidance of doubt, where the Porting Contracts are FCM SwapClear Contracts: (a) an entity that is an FCM Client may also be a Receiving Clearing Member, and (b) a Receiving Clearing Member that is an FCM Clearing Member may be nominated to receive the transfer of Relevant SwapClear Contracts and Associated Collateral Balance from a Carrying Clearing Member that is not an FCM Clearing Member pursuant to Regulation 60 of the UK General Regulations (capitalized terms used in this subparagraph (b) having the meanings set out in the UK General Regulations).

“Reference Currency Buyer”

has the meaning assigned to it in the Clearing House's “General Regulations”.

“Reference Currency Buyer/Seller”

- ~~Has~~has the meaning assigned to it in the Clearing House's “General Regulations”.

~~Reference Currency Seller~~

- ~~Has the meaning assigned to it in the Clearing House's “General Regulations”.~~

“Reference Price”

- ~~Means~~means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM

	Procedures.
<b><u>“Registration Time”</u></b>	- <b>Means</b> <u>means</u> , in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures.
<b><u>“Regulatory Body”</u></b>	- <b>Means</b> <u>means</u> 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.
<b><u>“Required Margin”</u></b>	- <b>Means</b> <u>means</u> , 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.
<b><u>“Resignation Effective Date”</u></b>	<u>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).</u>
<b><u>“Resigning Member”</u></b>	<u>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.</u>
<b><u>“Retirement Effective Date”</u></b>	<u>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).</u>
<b><u>“Retiring Member”</u></b>	<u>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 Membership Agreement and the FCM Procedures.</u>
<b><u>“Risk Neutralisation”</u></b>	- <b>Has</b> <u>has</u> the meaning assigned to it in either (i) the SwapClear DMP Annex of the Default Rules or (ii) the

		ForexClear DMP Annex of the Default Rules, as applicable.
<b><u>“Rules Change Committee”</u></b>		<u>means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference</u>
<b><u>“Second EnClear Clearing Member”</u></b>	-	<del>Has</del> <u>has</u> the meaning assigned to it in FCM Regulation <del>54</del> <u>53</u> (a).
<b><u>“Second Nodal Clearing Member”</u></b>	-	<del>Has</del> <u>has</u> the meaning assigned to it in FCM Regulation <del>64</del> <u>56</u> (a).
<b><u>“Seller”</u></b>	-	<del>Means</del> <u>means</u> an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of an FCM Exchange Contract.
<b><u>“Settlement Finality Regulations”</u></b>	-	<del>Means</del> <u>means</u> the Clearing House’s Settlement Finality Regulations from time to time in force.
<b><u>“Settlement Price”</u></b>	-	<del>Means</del> <u>means</u> , in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures.
<b><u>“Standard Terms”</u></b>	-	<del>Means</del> <u>means</u> those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time.
<b><u>“Strike Price”</u></b>	-	<del>Means</del> <u>means</u> the price specified in an FCM Option Contract which becomes the price of the commodity under an FCM Exchange Contract, upon the exercise of the FCM Option Contract, in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures.
<b><u>“Swap Product”</u></b>	-	<del>Means</del> <u>means</u> a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts, (2) FCM ForexClear Contracts and (3) FCM EnClear Contracts.
<b><u>“SwapClear Contribution”</u></b>	-	<del>Means</del> <u>means</u> , in relation to the Default <del>Fund</del> Rules, the meaning assigned to it in rule <del>47</del> <u>16</u> of the Default <del>Fund</del> Rules.
<b><u>“SwapClear Clearing Member”</u></b>	-	<del>Means</del> <u>means</u> a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
<b><u>“SwapClear DMP”</u></b>	-	<del>Has</del> <u>has</u> the meaning assigned to it in the SwapClear DMP

		Annex of the Default Rules.
<u>“SwapClear Suspension Sub-Account”</u>	-	<u>Hashas</u> the meaning assigned to such term in FCM Regulation <del>3046</del> <u>(po)</u> (ii).
<u>“SwapClear Tolerance”</u>	-	<u>Hashas</u> the meaning assigned to it in Section <del>2A.3.3</del> <u>2.1.3(c)</u> of the FCM Procedures.
<u>“Termination Amount”</u>	-	<u>Hashas</u> the meaning assigned to such term in FCM Regulation <del>24A</del> <u>37</u> (d)(iii).
<u>“UK General Regulations”</u>	-	<u>Meansmeans</u> the <u>Clearing House’s</u> Default <del>Rules, the Default—Fund</del> Rules and the Settlement Finality Regulations, and the Clearing House’s General Regulations from time to time in force.
<u>“UK General Procedures”</u>	-	<u>Meansmeans</u> the Clearing House’s “ <b>Procedures</b> ” as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations.
<u>“Unallocated Excess”</u>	-	<u>Hashas</u> the meaning assigned to such term in FCM Regulation <del>9A15</del> <u>(b)(i)</u> .
<u>“Unallocated Excess Sub-Account”</u>	-	<u>Hashas</u> the meaning assigned to such term in FCM Regulation <del>9A15</del> <u>(b)(i)</u> .
<u>“Unallocated FCM SwapClear Contract”</u>	-	<u>Hashas</u> the meaning assigned to such term in FCM Regulation <del>3046</del> <u>(po)</u> (ii).
<u>“Unallocated FCM SwapClear Transaction”</u>	-	<u>Hashas</u> the meaning assigned to such term in FCM Regulation <del>3046</del> <u>(po)</u> (i).
<u>“Variation Margin”</u>	-	<u>Meansmeans</u> the amount payable by an FCM Clearing Member to the Clearing House or by the Clearing House to an FCM Clearing Member, as applicable, in respect of, and in the amount of, the Clearing House’s variation margin requirements (as published from time to time by the Clearing House) in respect of an FCM Contract and with reference to the change in the NPV of such FCM Contract over a particular period of time.
<u>“Withdrawal Date”</u>	-	<u>Meansmeans</u> the date upon which the Clearing House determines to withdraw the FCM SwapClear Service, the FCM ForexClear Service or the FCM EnClear Service, as applicable, in accordance with these FCM Regulations and the FCM Procedures.
<u>“With Client Excess Model”</u>	-	<u>Hashas</u> the meaning assigned to it in FCM Regulation <del>9A15</del> <u>(d)</u> .
<u>“Without Client Excess Model”</u>	-	<u>Hashas</u> the meaning assigned to it in FCM Regulation <del>9A15</del> <u>(c)</u> .

~~In the Rulebook, except as the context may otherwise require:~~

~~(a)~~—Any reference in these FCM Regulations or the FCM Procedures to statutes, laws or regulations (or to specific provisions within them) thereof shall be to such statutes, laws or regulations (or to specific provisions within them) as amended, modified, supplemented or replaced from time to time.

~~(b)~~—Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

~~(c)~~—Reference to writing contained in these FCM Regulations or the FCM Procedures shall include typing, printing, ~~lithography,~~ photography, email, or any other mode of representing or reproducing words in a visible form.

~~(d)~~—Words importing the singular shall, where the context permits, include the plural and vice-versa.

~~(e)~~—The words “**include**”, “**includes**” or “**including**” are to be deemed followed by the words “without limitation”.

~~(f)~~—Any reference to time contained in these FCM Regulations or the FCM Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.

~~(g)~~—Any reference in these FCM Regulations or the FCM Procedures to a person or a party (however described) shall include its legal successors or assigns.

~~(h)~~—Headings are used herein for ease of reference only.

**PART I—REGULATIONS OF GENERAL APPLICABILITY****Regulation 1—Obligations of the Clearing House to each FCM Clearing Member****CHAPTER I - SCOPE****REGULATION 2 OBLIGATIONS OF THE CLEARING HOUSE TO EACH FCM CLEARING MEMBER**

- (a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open Contracts in accordance with these FCM Regulations. Each FCM Clearing Member is fully liable to the Clearing House for the performance of all obligations arising in connection with ~~the~~ FCM Contracts registered to it, regardless of whether such FCM Contracts are cleared by such FCM Clearing Member (i) as principal ~~for its own account (including in~~with respect ~~of~~to FCM Contracts ~~cleared in connection with FCM Transactions of Affiliates), or in its~~ Proprietary Account; or (ii) as agent (as such term is used in, and as required by, CFTC Regulation 39.12(b)(6)) ~~for~~with respect to FCM Contracts cleared on behalf of its FCM Clients (as set forth in FCM Regulation ~~34~~42(b)).
- (b) The obligations of the Clearing House to each FCM Clearing Member shall be as a counterpart to an Open Contract registered in the name of an FCM Clearing Member in accordance with these FCM Regulations and the FCM Procedures, to perform its obligations under the terms of such Open Contract as principal to such FCM Clearing Member in accordance with the provisions of these FCM Regulations and the FCM Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these FCM Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this FCM Regulation ~~42~~42 shall be subject to the provisions of these FCM Regulations. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this FCM Regulation ~~42~~42 or any of the other FCM Regulations to any person who is not a member.



~~Regulation 2 — Performance by the Clearing House of its Obligations under the Terms of an Open Contract; Novation~~

REGULATION 3 PERFORMANCE BY THE CLEARING HOUSE OF ITS OBLIGATIONS UNDER THE TERMS OF AN OPEN CONTRACT; NOVATION

- (a) **Performance by the Clearing House.** The Clearing House's obligations under the terms of an Open Contract shall be performed in the manner and form and by such day and time as may be prescribed in the rules of an FCM Approved Trade Source System or in the relevant Exchange Rules (where applicable), these FCM Regulations or the FCM Procedures; **provided, that** where the Economic Terms of an FCM Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time; **provided, further, that** where the rules of an FCM Approved Trade Source System or the relevant Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an FCM Contract that is an exchange contract, the Clearing House shall be deemed to have complied with the rules of the FCM Approved Trade Source System or the Exchange Rules (as may be the case) if it performs its obligations under the terms of an Open Contract, as seller or buyer, as the case may be, promptly after such time, unless the rules of the FCM Approved Trade Source System or the Exchange Rules (as applicable) expressly provide that performance must be made by the Clearing House by such time.
- (b) **Novation.** This FCM Regulation ~~23~~(b) applies only to FCM Nodal Transactions and FCM Nodal Contracts arising therefrom.
- (i) Upon registration of an FCM Transaction by the Clearing House, the relevant contracts thereunder shall be replaced by novation by two equal and opposite FCM Contracts, one between the first FCM Clearing Member and the Clearing House and another between the second FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) and the Clearing House. For the avoidance of doubt, the two FCM Clearing Members may, in fact, be the same FCM Clearing Member. Each FCM Contract shall be subject to the FCM Regulations including any restrictions on the Clearing House's obligations and liabilities set out in the FCM Regulations (including FCM Regulation ~~2444~~ and FCM Regulation ~~26H24~~) and otherwise on the same terms (to the extent applicable) as the FCM Transaction that was replaced by such FCM Contracts (or FCM Contract and Non-FCM Contract, as the case may be). If the provisions in the FCM Rulebook applicable to a specific Product conflict with or modify the terms of this paragraph with respect to such Product, then such provisions shall prevail with respect to such Product.
- (ii) Upon the exercise of an Option by or on behalf of an FCM Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such Option pursuant to these FCM Regulations, the FCM Option Contract shall be replaced by novation by an FCM Contract on the terms specified in



the FCM Option Contract at the Strike Price or at some other price in accordance with the terms of such FCM Option Contract.

## CHAPTER II - STATUS

### REGULATION 4 ~~Regulation 3 FCM Clearing Member Status of the Clearing House and Application of LCH Regulations~~ FCM CLEARING MEMBER STATUS AND APPLICATION OF LCH REGULATIONS

- (a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership or participation in LCH.Clearnet SA, each of which has separate and distinct membership requirements.
- (b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client ~~or an Affiliate~~ cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients ~~and Affiliates~~ in connection with the clearing of such FCM Contracts; **provided, that** each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts.
- (c) **General Qualification of FCM Clearing Members.** An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:
- (i) be registered with the CFTC as an FCM;
  - (ii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least \$7,500,000 (seven and a half million United States dollars), or \$50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts, FCM ForexClear Contracts or FCM ~~EnClear~~ EnClear Contracts; **provided, that** (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM Clearing Member has adjusted net capital exceeding \$7,500,000 or \$50,000,000, as applicable); **provided, further, that** each FCM Clearing

Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations;

- (iii) maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17 and Part 23 of the CFTC Regulations;
- (iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process the applicable FCM Transactions through an FCM Approved Trade Source System or an Exchange; ~~and~~
- (v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the applicable default funds of the Clearing House in accordance with the FCM Rulebook; and
- (vi) be incorporated or otherwise organized under the laws of a State within the United States; ~~;~~

and, solely in the case of FCM Clearing Members that wish to clear FCM SwapClear Contracts and/or FCM ForexClear Contracts, additionally must:

- (vii) be able to successfully participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member ~~(or, alternatively, a non-clearing member Affiliate that clears through the FCM Clearing Member)~~ that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in a “fire drill” run by the Clearing House from time to time in respect of each Product cleared by such FCM Clearing Member. Each such “fire drill” shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the “fire drill” and the applicant’s FCM Clearing Member application will not be approved;
- (viii) be able to participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member ~~(or, alternatively, a non-clearing member Affiliate that clears through the FCM Clearing Member)~~ that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the Default Management Process operated by the Clearing House;
- (ix) in the event of a default, be able to receive from the Clearing House and process FCM Contracts and Non-FCM Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in ~~FpML (Financial product Markup Language)~~ FPML; and

- (x) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union.
- (d) Each FCM Clearing Member shall at all times continue to comply with and satisfy the qualifications and requirements set forth in FCM Regulation [34](#)(c) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.
- (e) Notwithstanding anything else contained in this FCM Regulation [34](#) or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

**Regulation 4 — ~~FCM Client Business and FCM Client Account Segregation~~**

**REGULATION 5 RESIGNING AND RETIRING MEMBERS**

- (a) An FCM Clearing Member may resign from a particular FCM Clearing Service upon giving no less than three months' written notice to the Clearing House by completing a Resignation Letter, a copy of which can be obtained from the Clearing House's Membership Department. Such resignation takes effect on the Resignation Effective Date, which is the later of: (i) the resignation date specified in the written notice to the Clearing House in relation to the relevant FCM Clearing Service; and (ii) the date on which all FCM Contracts registered in the Resigning Member's name on the relevant FCM Clearing Service have been closed out or transferred so as to ensure that there are no remaining open FCM Contracts in respect of the relevant FCM Clearing Service to which the Resigning Member is a party.
- (b) Upon the Clearing House being satisfied that the Resigning Member is not a Defaulter and that all obligations of the Resigning Member to which the relevant Collateral is capable of being applied in accordance with the FCM Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising, the Clearing House shall return or release any Collateral provided to the Clearing House for the purpose of collateralizing the Resigning Member's obligations in respect of the relevant FCM Clearing Service.
- (c) A Resigning Member other than a Defaulter who is resigning from a particular FCM Clearing Service shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant FCM Clearing Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Resigning Member may be required to maintain some or all of its Contribution in connection with that FCM Clearing Service until after the completion of the default management process related to the relevant Default, notwithstanding that the relevant Resignation Effective Date might occur prior to such time.
- (d) An FCM Clearing Member must at all times be an FCM Clearing Member in respect of at least one FCM Clearing Service, and an FCM Clearing Member may not utilize the resignation process set out in paragraphs (a) to (c) above so as to resign from all (or all remaining) FCM Clearing Services in respect of which he is an FCM Clearing Member. Where an FCM Clearing Member wishes to cease being an FCM Clearing Member in respect of all (or all remaining) FCM Clearing Services, the retirement process set out in paragraphs (e) to (g) below should be used.
- (e) A Clearing Member may, in accordance with Section 17 of the FCM Clearing Membership Agreement and as further described in the FCM Procedures, retire from FCM Clearing Member status altogether upon giving no less than three months' written notice to the Clearing House. Retirement takes effect on the Retirement Effective Date, which is the later of: (i) the retirement date specified in the notice of retirement; and (ii) the date on which all FCM Contracts registered in the Retiring Member's name have been closed out or transferred so as to ensure that there are no remaining open FCM Contracts to which the Retiring Member is a party.
- (f) Upon the Clearing House being satisfied that the Retiring Member is not a Defaulter and that all obligations of the Retiring Member to which the relevant Collateral is

capable of being applied in accordance with the FCM Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising, the Clearing House shall return or release any Collateral provided to the Clearing House for the purpose of collateralizing the Resigning Member's obligations.

- (g) A Retiring Member other than a Defaulter shall be liable in respect of Aggregate Excess Losses relating to any Default which arises prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Default Rules, the Retiring Member may be required to maintain some or all of its Contribution until after the completion of the default management process related to the relevant Default, notwithstanding that the Retirement Effective Date might occur prior to such time.
- (h) FCM Clearing Members should contact the Clearing House for further details on how to retire from FCM Clearing Member status or how to resign from a particular FCM Clearing Service.
- (i) The Clearing House may also, by giving no less than three months' written notice, require an FCM Clearing Member to retire from FCM Clearing Member status or to resign from one or more specific FCM Clearing Services. Following the service of such a notice, the relevant FCM Clearing Member will become a Retiring Member or a Resigning Member (as the case may be) and will be required to close out or transfer all FCM Contracts registered in its name or all FCM Contracts registered in its name in connection with the specified FCM Clearing Service or FCM Clearing Services, respectively, by the date specified in the relevant notice.
- (j) The arrangements for an FCM Clearing Member who is a Defaulter to resign from a particular FCM Clearing Service or retire from FCM Clearing Member status and for the return or release of the cover and the Contributions provided by such Defaulter to the Clearing House are as set out in the Default Rules, including, in particular, Default Rules 15 and 25.

**REGULATION 6 SERVICE WITHDRAWAL**

- (a) If at any time the Clearing House decides to withdraw part or the whole of an FCM Clearing Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members participating in that FCM Clearing Service (for the purposes of this FCM Regulation 6, the "affected FCM Clearing Members") of the date on which the service will be withdrawn (the "Relevant Withdrawal Date"). The accidental omission by the Clearing House to give notice under this FCM Regulation 6 to, or the non-receipt of notice under this FCM Regulation 6 by, one or more affected FCM Clearing Members shall not invalidate the Relevant Withdrawal Date. Where only a part of an FCM Clearing Service is being withdrawn, notice need only be given to those FCM Clearing Members authorized or approved to participate in that part of the relevant FCM Clearing Service. If the Clearing House becomes aware that it has omitted to give notice under this FCM Regulation 6 to any affected FCM Clearing Member prior to the Relevant Withdrawal Date it will immediately notify the affected FCM Clearing Member of the Relevant Withdrawal Date in accordance with the applicable notice provisions.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) above shall specify the nature of the service which the Clearing House will provide until the Relevant Withdrawal Date. Unless otherwise specified in the notice, and without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 46(m), register an FCM Contract in respect of the relevant FCM Clearing Service (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 6(a).
- (c) If at the Relevant Withdrawal Date (or, in respect of the FCM ForexClear Clearing Service, the date falling five Business Days before the Relevant Withdrawal Date) an affected FCM Clearing Member has not closed out all open FCM Contracts in respect of the relevant FCM Clearing Service registered in its name, the Clearing House shall (in the case of a Relevant Withdrawal Date in respect of the FCM ForexClear Clearing Service, with five Business Days' notice to the affected FCM ForexClear Clearing Member) at its sole discretion, be entitled to:
- (i) liquidate any or all of such FCM Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and/or
  - (ii) postpone the Relevant Withdrawal Date until such time as the Clearing House determines.

### CHAPTER III - ACCOUNTS AND CLIENT CLEARING

#### REGULATION 7 FCM CLIENT BUSINESS AND FCM CLIENT ACCOUNT SEGREGATION

- (a) Subject to the provisions of these FCM Regulations, FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; **provided, however,** that each FCM Clearing Member shall, before providing FCM Clearing Services to any FCM Client, ensure that it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of an FCM Contract at the applicable Registration Time on behalf of an FCM Client, both the FCM Clearing Member and the applicable FCM Client will be deemed to be bound by the relevant FCM 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 the FCM Rulebook and the applicable FCM Contract Terms.

Where an FCM Clearing Member offers or provides Client Clearing Services to an Affected Client, it must offer the following arrangement to that Affected Client: If the Affected Client elects EMIR Client Clearing, the FCM Clearing Member must, to the extent permitted and practicable under applicable law and regulations, procure the availability of EMIR Client Clearing for that Affected Client either through an affiliated Non-FCM Clearing Member or another Clearing Member.

- (b) **Book Entry Accounts = Swaps.**
- (i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Swaps Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Swap Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Swap Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Swaps Client Account with LCH. Each such FCM Omnibus Swaps Client Account with LCH shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for purposes of the CFTC Regulations. In accordance with CFTC Regulation 22.8, the situs of the FCM Omnibus Swaps Client Account with LCH shall be located in the United States.
- (ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH. FCM Omnibus Swaps Client Accounts with LCH



shall be maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1, Part 22 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of an identified FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Swaps Client Account with LCH in a single physical depository account with a Permitted Depository.

- (iii) ~~(iii)~~—The Clearing House shall establish and maintain on its books and records an FCM Client Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Swaps Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and Margin value attributable to each FCM Client Sub-Account; **provided**, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently any such information. Each FCM Client Sub-Account shall be considered to be part of the Cleared Swaps Customer Account Class solely for purposes of Part 190 of the CFTC Regulations. The Clearing House shall, in accordance with the provisions of FCM Regulation 7(h), establish and maintain on its books and records an FCM Buffer Sub-Account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus SwapClear Client Account with LCH, each FCM Omnibus ForexClear Client Account with LCH and each FCM Omnibus EnClear Client Account with LCH, maintained for each such FCM Clearing Member.
- (iv) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Swap Products, Collateral and other FCM Swaps Client Funds held or furnished by such FCM Clearing Member for each of its FCM Clients and shall instruct the Clearing House as to the Swap Products and Collateral to be reflected in each applicable FCM Client Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Swap Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

(c) **Book Entry Accounts – Futures.**

- (i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Futures Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Futures Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Futures Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Futures Client Account with LCH. Each such FCM Omnibus Futures Client Account with LCH shall be treated as part of the Futures Account Class for purposes of the CFTC Regulations.
- (ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH. FCM Omnibus Futures Client Accounts with LCH shall be maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 1.20(b) (and subject to CFTC Regulation 1.25), the Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of its FCM Clients in connection with Futures Products as belonging to such FCM Clients as a class, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, FCM Clients of other FCM Clearing Members or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 1 or Part 190 of the CFTC Regulations; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Futures Client Account with LCH in a single physical depository account with a Permitted Depository.
- (iii) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Futures Products, Collateral and other FCM Futures Client Funds held by such FCM Clearing Member for each of its FCM Clients. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Futures Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.
- (iv) Without limitation to FCM Regulation ~~47(c)(iii)~~, to the extent permitted under CFTC Regulation 39.13(g)(8)(i), each FCM Clearing Member shall report the gross FCM Contracts that are Futures Products of each of its individual FCM Clients to the Clearing House, unless the Clearing House expressly permits an FCM Clearing Member to instead report the sum of the gross positions in Futures Products in each applicable Business Category of FCM Contract of all of its FCM Clients on an omnibus basis to the Clearing House. Unless otherwise notified by FCM Clearing Member circular, receipt of position information generated by an Exchange with respect to FCM Contracts in Futures Products and provided by such Exchange to the Clearing House shall

be deemed to satisfy the FCM Clearing Member's obligation to report gross positions. The Clearing House will provide notice by FCM Clearing Member circular of its policies and procedures regarding the collection of reports described above, to the extent not already specified in the FCM Procedures, including any changes to such policies and procedures from time to time.

(d) **Depository Accounts – Swaps.**

- (i) Each FCM Clearing Member shall establish and maintain one or more FCM Swaps Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such Regulations, and as further set forth in this FCM Regulation [4.7](#). Each FCM Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Swaps Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Cleared Swaps) relating to Swap Products in a single FCM Swaps Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Futures Client Funds in its FCM Swaps Client Segregated Depository Account. Each FCM Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations.
- (ii) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account for all Swap Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1, Part 22 and Part 190 of such Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients with respect to Swap Products in the LCH Swaps Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than Collateral furnished by FCM Clearing Members in connection with the clearing of Swap Products on behalf of their FCM Clients. Such LCH Swaps Client Segregated Depository Account maintained by the Clearing House shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations. [In accordance with CFTC Regulation 22.8, the situs of the LCH Swaps Client Segregated Depository Account shall be located in the United States.](#)

(e) **Depository Accounts – Futures.**

- (i) Each FCM Clearing Member shall establish and maintain one or more FCM Futures Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1 and Part 190 of such Regulations, and as further set forth in this FCM Regulation [4.7](#). Each FCM Futures Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Futures Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Futures Products) relating to Futures Products in a single FCM Futures Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Swap Client Funds in its FCM Futures Client Segregated Depository Account. Each FCM Futures Client Segregated Depository Account maintained by each FCM Clearing Member shall be considered a Futures Customer Account for the purposes of the CFTC Regulations.
- (ii) The Clearing House shall establish and maintain an LCH Futures Client Segregated Depository Account for all Futures Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1 and Part 190 of such Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients in connection with Futures Products in the LCH Futures Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than Collateral furnished by FCM Clearing Members in connection with the clearing of Futures Products on behalf of their FCM Clients. Such LCH Futures Segregated Depository Account maintained by the Clearing House shall be treated as part of the Futures Account Class for the purposes of the CFTC Regulations.
- (f) **Notice of Deficiency in FCM Client Segregated Depository Accounts.** Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in one of its FCM Client Segregated Depository Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and/or the FCM Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.
- (g) **Segregation of FCM Swap Client Funds.**

- (i) This paragraph (g) applies to any account that reflects Swap Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.
- (ii) With respect to FCM Client Funds deposited in connection with FCM Transactions and FCM Contracts in Swap Products:
  - (A) all such FCM Swaps Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Swaps Client Segregated Depository Account in accordance with Section 4d(f) of the CEA and the CFTC Regulations, including Part 22 of such Regulations;
  - (B) all such FCM Swaps Client Funds must be held by the applicable Clearing Member or deposited with a Permitted Depository, and such FCM Swaps Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the FCM Rulebook and Part 22 of the CFTC Regulations; and
  - (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 or 1.26 (as applicable) from such Permitted Depository that it was informed that such FCM Swaps Client Funds deposited in the FCM Swaps Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
- (iii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Swap Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Swaps Client Segregated Depository Account, in accordance with Section 4d(f) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such Collateral except as belonging to such FCM Clients. Without limitation, all such Collateral shall be reflected in the appropriate FCM Omnibus Swaps Client Account with LCH. All such Collateral deposited by the Clearing House with a Permitted Depository shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that such Collateral is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 22.5, 1.20 or 1.26 (as applicable), from such Permitted Depository that it was informed that the Collateral deposited in any LCH Swaps Client Segregated Depository Accounts maintained by LCH in connection with Swap Products are those of FCM Clients of FCM Clearing Members and are being



held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.

- (iv) Each FCM Clearing Member shall treat and deal with FCM Swaps Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Swap Products or other Cleared Swaps shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Swaps Client Funds may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided, further**, that FCM Client Funds may be invested in accordance with FCM Regulation [47](#)(n) and CFTC Regulation 1.25.
  - (v) In no event may FCM Swaps Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Swap Products) be held or commingled and deposited with (A) FCM Futures Client Funds; (B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.
  - (vi) The Clearing House is required to maintain an FCM Omnibus Swaps Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Swap Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Swaps Client Funds in a single FCM Swaps Client Segregated Depository Account.
  - (vii) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the Margin [value](#) attributable to an FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall be credited to such FCM Client's applicable FCM Client Sub-Account as provided in the FCM Rulebook, and shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations. For the avoidance of doubt, and notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House is under no obligation to deal directly with any FCM Client (under the terms of the FCM Rulebook or otherwise) and the Clearing House may deal exclusively with the FCM Clearing Members, and the Clearing House shall have no obligations to any FCM Client under the FCM Rulebook.
- (h) **Segregation of FCM Futures Client Funds.**

- (i) This paragraph (h) applies to any account that reflects Futures Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.
- (ii) With respect to FCM Futures Client Funds deposited in connection with FCM Transactions and FCM Contracts in Futures Products:
  - (A) all such FCM Futures Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Futures Client Segregated Depository Account in accordance with Sections 4d(a) of the CEA and the CFTC Regulations, including Part 1 of such Regulations;
  - (B) all such FCM Futures Client Funds must be held by the applicable FCM Clearing Member or deposited with a Permitted Depository, and such FCM Futures Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and indicates that they are segregated as required by the FCM Rulebook and Part 1 of the CFTC Regulations; and
  - (C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable) from such Permitted Depository that it was informed that such FCM Futures Client Funds deposited in the FCM Futures Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
- (iii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Futures Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Futures Client Segregated Depository Account, in accordance with ~~Sections~~[Section](#) 4d(a) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such Collateral except as belonging to such FCM Clients. Without limitation, the value of all such Collateral shall be reflected in the appropriate FCM Omnibus Futures Client Account with LCH. All such Collateral deposited by the Clearing House with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and shows that such Collateral is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable), from such Permitted Depository that it was informed that the Collateral deposited in any LCH Futures Client Segregated Depository Accounts maintained by LCH in connection with Futures Products are those of FCM Clients of FCM Clearing

Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.

- (iv) Each FCM Clearing Member shall treat and deal with FCM Futures Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Futures Products or other Futures/Options Contracts shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Futures Client Funds may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided, further**, that FCM Futures Client Funds may be invested in accordance with FCM Regulation [47](#)(n) and CFTC Regulation 1.25.
  - (v) In no event may FCM Futures Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Futures Products) be held or commingled and deposited with (A) FCM Swaps Client Funds; (B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.
  - (vi) The Clearing House is required to maintain an FCM Omnibus Futures Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Futures Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Futures Client Funds in a single FCM Futures Client Segregated Depository Account.
- (i) **Care of Money and Securities Accruing to FCM Clients.**
- (i) All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any FCM Contract cleared by such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the meaning of the FCM Rulebook. Such money and securities shall be treated and dealt with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.
  - (ii) With respect to Swap Products, the value of money and securities accruing in connection with Swap Products in an FCM Omnibus Swaps Client Account with LCH attributable to an individual FCM Client shall be separately credited to the relevant FCM Client Sub-Account of such FCM Client.



- (iii) With respect to Futures Products, the value of money and equities accruing in connection with Futures Products in an FCM Omnibus Futures Client Account with LCH need not be separately credited by the Clearing House to individual accounts therein but may be treated and dealt with as belonging undivided to all such FCM Clients having positions in Futures Products through the FCM Clearing Member which if closed would result in a credit to such FCM Clients.
- (j) **Use of FCM Swaps Client Funds Restricted.**
- (i) No FCM Clearing Member shall use, or permit the use of, FCM Swaps Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Swaps Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Swap Products or (B) other Cleared Swaps.
  - (ii) FCM Client Funds held in an FCM Swaps Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Swap Product, Cleared Swap or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.
- (k) **Use of FCM Futures Client Funds Restricted.**
- (i) No FCM Clearing Member shall use, or permit the use of, FCM Futures Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Futures Client Funds held in an FCM Futures Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Futures Products or (B) other Futures/Options Contracts.
  - (ii) FCM Client Funds held in an FCM Futures Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Futures Product, Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.
- (l) **Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals.** FCM Regulation [47\(g\)](#) and FCM Regulation [47\(h\)](#), which prohibit the commingling of any FCM Client Funds with the funds or assets of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client Funds, segregated as required under Section 4d the CEA, the CFTC Regulations and the FCM Rulebook and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to FCM Client Funds in an FCM Client Segregated Depository Account such amount or amounts of money, from its own funds or unencumbered securities from its own inventory of the type permitted under FCM Regulation [47\(n\)](#), as it may deem necessary to ensure that such FCM Client Segregated Depository Account holds at all times, at a minimum, an amount equal to

the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client Funds. An FCM Clearing Member may draw upon FCM Client Funds in the relevant FCM Client Segregated Depository Account to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in such FCM Client Segregated Depository Account; **provided**, that any such withdrawals do not result in any such account holding less in segregated FCM Client Funds than such account is required to contain at such time.

- (m) **Funds Held in FCM Client Segregated Depository Accounts; Exclusions Therefrom.** Money held in an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which may be used for a purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the FCM Contracts of the FCM Clients of such FCM Clearing Member.
- (n) **Investments of FCM Client Funds.** An FCM Clearing Member may invest FCM Client Funds as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25. The Clearing House may invest Collateral held on behalf of FCM Clients in U.S. Treasury ~~securities~~ [Securities](#) (in accordance with the FCM Procedures) as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25; and subject to all other applicable laws and regulations, including Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/2013-201. [Any investment of FCM Client Funds by the Clearing House shall also comply with any other applicable requirements under applicable law, including the applicable requirements set out in Regulation \(EU\) No 648/2012 of European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories \(including, in particular, Article 47 of such Regulation\) and in the relevant provisions of Commission Delegated Regulation \(EU\) No. 153/2013 of 19 December 2012.](#)
- (o) **Deposit of Instruments Purchased with FCM Client Funds.**
- (i) Each FCM Clearing Member that invests FCM Client Funds in instruments permitted under FCM Regulation ~~47~~(n) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients, to the extent required under the CEA and the CFTC Regulations. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Swaps Client Segregated Depository Account or FCM Futures Client Segregated Depository Account, as the case may be, shall obtain and retain in its files an acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall

allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.

- (ii) When it invests money belonging or accruing to FCM Clients of its FCM Clearing Members in instruments permitted under FCM Regulation 47(n), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients; **provided**, that any such instruments may be held in commingled accounts other on behalf of all applicable FCM Clients of all FCM Clearing Members, at one or more Permitted Depositories. Such instruments, when deposited with Permitted Depository, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

(p) **Record of Investments.**

- (i) Each FCM Clearing Member that invests FCM Client Funds shall keep a record showing the following:
  - (A) The date on which such investments were made;
  - (B) The name of the person through whom such investments were made;
  - (C) The amount of money or current market value of securities so invested;
  - (D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;
  - (E) The identity of the depositories or other places where such instruments are held;
  - (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
  - (G) The name of the person to or through whom such investments were disposed of; and
  - (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.

- (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client Funds, the Clearing House shall keep a record showing separately for each clearing member the following:
  - (A) The date on which such documents were received from the clearing member;
  - (B) A description of such documents, including the CUSIP or ISIN numbers; and
  - (C) The date on which such documents were returned to the clearing member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation ~~4.34~~1.31 and other applicable law, including, with respect to the Clearing House, Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 (including the requirement to maintain records for a period of ten years). No such investments shall be made except in instruments permitted under FCM Regulation 47(n).
- (q) **Valuation of Instruments Purchased with FCM Client Funds.** FCM Clearing Members who invest FCM Client Funds in instruments permitted under FCM Regulation 47(n) shall include such instruments in the records and reports for their FCM Client Segregated Depository Accounts at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (r) **Increment or Interest Resulting from Investment of FCM Client Funds.** The investment of FCM Client Funds in instruments permitted under FCM Regulation 47(n) shall not prevent the FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (s) **FCM Swaps Client Segregated Depository Accounts; Daily Computation and Record.**
  - (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Swaps Client Funds on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of FCM Clients, including the amount attributable to each individual FCM Client;
    - (B) the amount of such FCM Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of such FCM Clients, including the amount attributable to each individual FCM Client; and

- (C) the amount of the FCM Clearing Member's residual interest in such FCM Client Funds.
- (ii) In computing the aggregate amount of funds required to be in its FCM Swaps Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (*i.e.*, "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).
- (iii) The daily computations required by this FCM Regulation [47](#) must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (t) **FCM Futures Client Segregated Depository Accounts; Daily Computation and Record.**
  - (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
    - (A) the aggregate amount of FCM Futures Client Funds on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of FCM Clients;
    - (B) the amount of such FCM Futures Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of such FCM Clients; and
    - (C) the amount of the FCM Clearing Member's residual interest in such FCM Futures Client Funds.
  - (ii) In computing the aggregate amount of FCM Futures Client Funds required to be in its FCM Futures Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (*i.e.*, "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security

will be considered readily marketable if it is traded on a “ready market” as defined in Rule 15c3–1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3–1(c)(11)(i)).

- (iii) The daily computations required by this FCM Regulation [47](#) must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (u) **Classification of Customer Property by an FCM Clearing Member.** In accordance with CFTC Regulation 1.36(a), each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM Contracts of such FCM Clients. Such record shall show separately for each FCM Client:
  - (i) a description of the securities or property received;
  - (ii) the name and address of such FCM Client;
  - (iii) the dates when the securities or property were received;
  - (iv) the identity of the Permitted Depositories or other places where such securities or property are segregated;
  - (v) the dates of deposits and withdrawals from such Permitted Depositories; and
  - (vi) and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.

In the event an FCM Clearing Member deposits with the Clearing House, directly or with a Permitted Depository acting as custodian for the Clearing House, securities or property which belong to a particular FCM Client, such FCM Clearing Member shall obtain written acknowledgment from the Clearing House that the Clearing House was informed that such securities or property belong to FCM Clients of such FCM Clearing Member. Such acknowledgment shall be retained as provided in § 1.31.

- (v) **Classification of Customer Property by the Clearing House.** In accordance with CFTC Regulation 1.36(b), the Clearing House, in respect to the receipt from FCM Clearing Member of securities or property belonging to particular FCM Clients of such FCM Clearing Member in lieu of money to margin, purchase, guarantee, or secure FCM Contracts cleared on behalf of such FCM Clients, or receives notice that any such securities or property have been received by a Permitted Depository acting as custodian for the Clearing House, shall maintain, as provided in CFTC Regulation 1.31, a record which will show separately for each FCM Clearing Member:
  - (i) the dates when such securities or property were received;
  - (ii) the identity of the Permitted Depositories or other places where such securities or property are segregated; and



- (iii) the dates such securities or property were returned to the relevant FCM Clearing Member, or otherwise disposed of, together with the facts and circumstances of such other disposition including the authorization therefor.
- (w) **CFTC Regulations.** Without limitation of any other provisions of the FCM Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 1, Part 22 and Part 190 of the CFTC Regulations, as well as any other applicable CFTC Regulations, including as provided in FCM Regulation [47](#)(x).
- (x) **Change in Law or Regulations.** The Clearing House shall enforce the rules set forth in this FCM Regulation [47](#) (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and the CFTC Regulations. In the event that a change in law or in the CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations (to the extent compliance therewith has become mandatory under CFTC Regulations) and applicable law will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with the CFTC Regulations and applicable law.

~~Regulation 1 — Regulation 5 — Proprietary Accounts and Trading~~REGULATION 8 PROPRIETARY ACCOUNTS AND TRADING

- (a) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to ~~enter into and clear FCM Contracts for their own account or accounts of their Affiliates, in each case~~ clear FCM Transactions entered into by them through their Proprietary Accounts. ~~An FCM Clearing Member wishing to provide FCM Clearing Services to Affiliates shall enter into an agreement with each such Affiliate, or an Addendum to an existing agreement which, in either case, binds the Affiliate to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the FCM Clearing Member and the Affiliate, or as may be prescribed by the Clearing House. An FCM Clearing Member providing FCM Clearing Services to its Affiliates shall notify the Clearing House of any such Affiliates and the Products cleared for such Affiliates.~~
- (b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts, or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House, ~~including but not limited to, obligations;~~ provided, that no amount standing to the credit of any such an account shall be applied in or towards payment or satisfaction of any obligations of the FCM Clearing Member to the Clearing House arising in connection with FCM Client Business, except (i) in the case of Excess Margin or (ii) in respect of an FCM Clearing Member, which is a Defaulter, in accordance with Rule 8(d) of the Default Rules.



**Regulation 6 — ~~Certain General Provisions Applicable to Accounts~~****REGULATION 9 CERTAIN GENERAL PROVISIONS APPLICABLE TO ACCOUNTS**

- (a) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding: (i) its FCM Clients ~~and any Affiliates~~ for which it provides FCM Clearing Services ~~and regarding trades made on its own behalf through its Proprietary Account;~~ (ii) the FCM Contracts cleared for such FCM Clients, Affiliates, or on its own behalf, and its FCM Clients; (iii) FCM Contracts cleared in its Proprietary Account; and (iv) the Collateral and Margin balance in respect of ~~such~~ each type of cleared FCM Contracts described in (i) – (iii), subject to the provisions of the following paragraph (e). Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the FCM Contracts and the value of ~~the~~ any Collateral attributed to each FCM Omnibus Client Account with LCH and ~~to~~ each FCM Client Sub-Account therein (where applicable) for the relevant FCM Clients.
- (b) No FCM Clearing Member may withdraw any amount from any of its FCM Omnibus Client Accounts with LCH or its Proprietary Account if such withdrawal would cause the account's Margin balance to be less than the Required Margin then attributable to such FCM Omnibus Client Account with LCH or to such Proprietary Account, as applicable, as determined by the Clearing House in accordance with the provisions of the FCM Rulebook; **provided, that,** the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from any of its Proprietary Account(s) if the FCM Client Sub-Account Balance in any of its FCM Client Sub-Accounts would be less than the Required Margin then attributable to any such FCM Client Sub-Account and there is an insufficient amount of FCM Buffer (within the applicable FCM Omnibus Swaps Client Account with LCH) available to offset any such deficiencies.
- (c) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to the Clearing House for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default ~~Fund~~ Rules may be applied as provided for in the Default ~~Fund~~ Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default ~~Fund~~ Rules) be paid, or, in the case of

negative interest rates, be charged, on amounts standing to the credit of any of the FCM Clearing Member's accounts.

- (g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.
- (h) Subject to the provisions of the Default-Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.
- (i) If an FCM Clearing Member specifies a Termination Date under FCM ~~Regulation 24A~~, Regulation 37, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member; to the extent permitted under applicable law, provided, however, that in accordance with ~~these~~ the FCM Regulations Rulebook, including FCM ~~Regulation 4~~, Regulation 7, and applicable law, an FCM Clearing Member's obligations to the Clearing House (~~other than solely in respect of the obligations of its FCM Clients~~) may never be set off with amounts in ~~FCM Client Segregated Depository Accounts~~ or owed with respect to an FCM Client Sub-Account, except for obligations solely in respect of that FCM Client Sub-Account or another FCM Client Sub-Account of the same FCM Client.
- (j) Where a payment has been made to the Clearing House by an FCM Clearing Member through the relevant account(s), that payment will only be credited to the account of the applicable FCM Clearing Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) that institution has made any relevant payments to other FCM Clearing Members on the date when the payment was due to be received by the Clearing House.

(k)

## REGULATION 10 ACKNOWLEDGEMENTS AND AGREEMENTS OF FCM CLIENTS

Each FCM Client, by participating in FCM Transactions and entering FCM Contracts through its respective FCM Clearing Member(s), shall be deemed to understand, acknowledge and agree that:

- (a) the services provided by the Clearing House with regard to the FCM Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;
- (b) the FCM Regulations shall govern the registration of FCM Contracts and all transactions between an FCM Client and its FCM Clearing Member resulting in the registration of FCM Contracts, and at the time of registration of an FCM Contract the FCM Client on whose behalf it was registered will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including all applicable terms of the FCM Regulations and the FCM Product Specific Contract Terms and Eligibility Criteria Manual) automatically and without any further action by such FCM Client or by its FCM Clearing Member, and such FCM Client agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM Contracts in all respects;
- (c) the provisions of FCM Regulation 44 (*Exclusion of Liability*) shall apply to each FCM Client *mutatis mutandis* as though entered into by each FCM Client directly with the Clearing House;
- (d) the Clearing House shall be under no obligation to deal directly with any FCM Client, and the Clearing House may deal exclusively with the FCM Clearing Members;
- (e) the Clearing House shall have no obligations to any FCM Client with respect to any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client, including to any repayment or redelivery obligations;
- (f) no FCM Client shall have any right to receive from the Clearing House, or any right to assert a claim against the Clearing House with respect to, nor shall the Clearing House be liable to any FCM Client for, any payment or delivery obligation in connection with any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client and the Clearing House shall make any such payments or redeliveries solely to the FCM Clearing Member;
- (g) upon the default of an FCM Client's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's FCM Contracts entered into by such FCM Clearing Member, subject to applicable law, regardless of whether such FCM

Client had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;

- (h) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client;
- (i) where an FCM Clearing Member furnishes securities or other assets with respect to an FCM Client to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and applicable law, and such FCM Client shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and applicable law; and
- (j) each FCM Client provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any FCM Client Funds of such FCM Client in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as Collateral for the purposes of clearing FCM Contracts entered on behalf of the FCM Client.

**CHAPTER IV - CONTRACT FORMATION, REGISTRATION AND TRANSFER**

**REGULATION 11 DESIGNATION**

~~(k)~~—An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, determine in which account of the FCM Clearing Member the FCM Contract shall be entered.

**Regulation 7 — Trading Information****REGULATION 12 TRADING INFORMATION**

The Clearing House shall make available to an FCM Clearing Member in the manner and by the time prescribed by the FCM Procedures, such details of original contracts presented for registration in the name of that FCM Clearing Member, Open Contracts registered in that FCM Clearing Member's name, and Margin furnished by that FCM Clearing Member as may be prescribed in the FCM Procedures.

**Regulation 8 — Transfer**

- ~~(a) Other than in the event that an FCM Clearing Member is a defaulter, Open Contracts in such FCM Clearing Member's name shall not be allocated or transferred except as provided in this FCM Regulation 8. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 8 and the applicable forms or other documentation requirements of the Clearing House required in connection with such transfers.~~

**REGULATION 13 TRANSFER**

(a) ~~(b) Transfer of Entire FCM Client Portfolio. Upon~~ **FCM Client Contracts and Collateral from Carrying Clearing Members to Receiving Clearing Members.** A Receiving FCM Clearing Member may, upon the instruction or at the request of an FCM Client, ~~via a Receiving FCM Clearing Member (as request (in the manner set out in the FCM Procedures), to transfer that FCM Client's entire portfolio (and not less than an entire portfolio) of a Product held in the relevant~~ **that the Clearing House transfer to the Receiving Clearing Member some or all of an FCM Client's FCM Contracts registered to its FCM Client Sub-Account or to an FCM Omnibus Futures Client Account with LCH from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) the relevant FCM Client Sub-Account and all of the FCM Contracts of such Product entered into by the Carrying FCM Clearing Member on behalf of such FCM Client (or in the case of Futures Products, all of the relevant with a Carrying Clearing Member (such FCM Contracts subject to transfer, the "Porting Contracts"). Where the Porting Contracts constitute the entire portfolio of an FCM Client's FCM Contracts registered to the applicable FCM Omnibus Futures Client Account with LCH), as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the FCM Contracts to be transferred (such transfer to occur by novation of such FCM Contracts rather than by closeout and rebooking of new FCM Contracts); and (y) upon request, if any, of the Receiving FCM Clearing Member on behalf of the relevant FCM Client, all Collateral furnished to the Clearing House by a Carrying FCM Clearing Member and attributable to the relevant FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH in respect of the FCM Contracts to be transferred to a Receiving FCM Clearing Member as designated by the FCM Client and as set out in the FCM Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such Collateral); provided, with the Carrying Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the applicable Collateral attributable to such FCM Client (such Collateral, the "Porting Collateral"). It is a condition precedent to any transfer described in this paragraph that:**

- (i) ~~such~~ **the** FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying ~~FCM~~ Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
- (ii) neither the Carrying ~~FCM~~ Clearing Member nor the Receiving ~~FCM~~ Clearing Member is a ~~defaulter~~ **Defaulter**;
- (iii) the Receiving FCM Clearing Member has consented to ~~such~~ **the** transfer of the ~~FCM~~ **Porting** Contracts ~~to be ported~~ and, **if applicable,** the **Porting** Collateral ~~to be transferred~~;
- (iv) the Clearing House ~~considers~~ **determines** that, **following the transfer,** the Receiving FCM Clearing Member ~~has furnished sufficient Margin in order to~~



~~enable the transfer; and~~ shall have satisfied the Required Margin in respect of the Porting Contracts;

- (v) ~~the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents.~~ in the event that the transfer would lead to an increase in Required Margin due from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and
- (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of ~~(v) clause (vi)~~ above, ~~with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client~~ Clearing Member will be entitled to reject the transfer only if (A) the applicable FCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its affiliates, including any increased Margin due and payable that may result from the proposed transfer (for this purpose, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM Porting Contracts of the FCM Client which are being transferred, or the FCM Client’s related collateral Collateral), (B) the transfer of the Porting Contracts would result in the FCM Client breaching exposure limits with, and/or other risk parameters set by the Carrying CM Clearing Member and/or its affiliates, or (C) such rejection is otherwise in accordance with terms agreed as between the Carrying FCM Clearing Member and the relevant FCM Client.

- (b) ~~Upon request from the Clearing House, and in~~ Additional Provisions Relating to the Transfer of Collateral. In order to facilitate a transfer pursuant to ~~this FCM Regulation 8(b) paragraph (a) above~~ that includes the transfer of Porting Collateral, the Carrying ~~FCM~~ Clearing Member shall notify the Clearing House of the specific Collateral which ~~is attributable to the transferring FCM Client and, along with the~~ should constitute the Porting Collateral. The Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying ~~FCM~~ Clearing Member fails to notify the Clearing House of the specific Collateral that is attributable to the relevant FCM Client ~~which should constitute the Porting Collateral,~~ the Clearing House shall ~~transfer such~~ identify and select (in the manner set out in the FCM Procedures) the Collateral ~~as~~ it deems appropriate ~~and as set out in the FCM Procedures.~~

Once the Porting Collateral has been identified as set out in the above paragraph, the Receiving FCM Clearing Member may elect to reject the transfer of some or all of the Porting Collateral. Any such rejection in and of itself shall not prevent the transfer of

the Porting Contracts, **provided, that** the conditions set out in clauses (i) through (vi) of FCM Regulation 13(a) are satisfied in relation to such transfer. Following an acceptance by the Receiving FCM Clearing Member to receive a transfer of the Porting Collateral, the Clearing House shall transfer the Porting Collateral that has been identified to and consented by the Receiving FCM Clearing Member. In the event that, for whatever reason, **the Clearing House is unable** to transfer the Porting Collateral that has been accepted by the Receiving FCM Clearing Member, the Clearing House will not proceed with the transfer of the Porting Contracts.

- (c) ~~Transfer of Portion of FCM Client Portfolio. Upon the instruction or at the request of an FCM Client via a Receiving FCM Clearing Member (as set out in the FCM Procedures) to transfer a portion of that FCM Client's portfolio of FCM Contracts held in the relevant FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH from a Carrying FCM Clearing Member, (the "*Porting FCM Contracts*"), the Clearing House shall transfer (such transfer to occur by novation of such Porting FCM Contracts rather than by closeout and rebooking of new FCM Contracts) the Porting FCM Contracts entered into by the Carrying FCM Clearing Member on behalf of such FCM Client to a Receiving FCM Clearing Member, designated by the FCM Client as set out in the FCM Procedures; provided, that: **Additional Provisions Relating to Transfers of Client Positions from Carrying Clearing Members to Receiving Clearing Members.**~~

- ~~(i) — such FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);~~
- ~~(ii) — neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a defaulter;~~
- ~~(iii) — the Receiving FCM Clearing Member has consented to such transfer;~~
- ~~(iv) — the Receiving FCM Clearing Member has furnished sufficient Margin to the Clearing House in respect of its current FCM Contracts and the Porting FCM Contracts in order to enable the transfer;~~
- ~~(v) — the FCM Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and~~
- ~~(vi) — in the event that the transfer will lead to an increased Margin requirement from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member has furnished sufficient Margin to the Clearing House in respect of such requirement.~~

~~For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by an FCM Client, "obligations" shall consist only~~

of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the FCM Contracts being transferred or the FCM Client's related collateral.

- (i) ~~(d) (i) By notifying the Clearing House of a request to accept a transfer of FCM Contracts of an FCM Client, and the related Collateral if applicable, pursuant to FCM Regulation 8(b) or 8(c), the Receiving FCM Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions set forth herein and in the FCM Procedures to the transfer of the account of the FCM Client have been satisfied. Upon receipt of such transfer instructions, and provided that it does not determine, in its sole discretion, that the transfer cannot be effected under these FCM Regulations or the FCM Procedures, the Clearing House shall transfer the FCM Contract(s) into the name of the Receiving FCM Clearing Member as agent for the relevant FCM Client.~~ Further to the satisfaction of the conditions set out in FCM Regulation 13(a) and FCM Regulation 13(b), and provided that the Clearing House does not determine, in its sole discretion, that (x) a transfer pursuant to FCM Regulation 13(a) cannot be effected under the Rulebook or otherwise under applicable laws or regulations or (y) where the transfer is as described in paragraph (b) of the definition of "Receiving Clearing Member", additional conditions as set out in Regulation 60 of the UK General Regulations need to be complied with, the Clearing House shall transfer the Porting Contracts into the name of the Receiving Clearing Member as follows: (A) where the Receiving Clearing Member is the same entity as the FCM Client, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the Proprietary Account of the Receiving Clearing Member; (B) in all other cases, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the relevant FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH of the Receiving Clearing Member (where the Receiving Clearing Member is an FCM Clearing Member) or otherwise to the relevant Individual Segregated Account, Omnibus Segregated Account of the Receiving Clearing Member as the case may be (where the Receiving Clearing Member is not an FCM Clearing Member). In respect of a transfer pursuant to FCM Regulation 13(a) where the Receiving Clearing Member is not an FCM Clearing Member, all of the FCM Contracts to be transferred (which are subject to the FCM Rulebook) shall, upon transfer, be converted to Contracts subject to the Rulebook (as defined in the UK General Regulations) but shall otherwise remain on the same contract terms.. The transfer of the Porting Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Porting Contracts to the Receiving Clearing Member.r.
- (ii) In the case where a transfer pursuant to FCM Regulation ~~813(ba)~~ will include the transfer of ~~the related~~ Porting Collateral in addition to the transfer of ~~FCM~~ Porting Contracts:
- (A) Upon completion of the transfer, ~~the~~ (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such Porting Collateral; and (y) the Porting Collateral furnished to the Clearing

House by the Carrying ~~FCM~~ Clearing Member and held by the Clearing House in respect of the ~~FCM~~ Porting Contracts ~~that are being transferred~~ shall, ~~without limitation~~, be deemed to have been delivered by the Receiving ~~FCM~~ Clearing Member to the Clearing House ~~and subject to the~~ (aa) where the Receiving Clearing Member is not an FCM Clearing Member, by way of title transfer or, in the case of non-cash Collateral, a pledge pursuant to the relevant Deed of Charge or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving ~~FCM~~ Clearing Member pursuant to FCM Regulation 9(m) to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook. Furthermore, and for the avoidance of doubt, the Carrying ~~FCM~~ Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Porting Collateral transferred.

- (B) ~~The~~ Where all or a portion of the Porting Collateral has been accepted by the Receiving FCM Clearing Member, the transfer of the ~~FCM~~ Porting Contracts and ~~related~~ the accepted Porting Collateral shall be deemed to occur simultaneously, and the transfer of the ~~FCM~~ Porting Contracts shall be conditioned on the transfer of the ~~related~~ accepted Porting Collateral, and vice versa.
- (C) If the transfer of all ~~such~~ FCM Porting Contracts and ~~related~~ (if applicable) all accepted Porting Collateral is not completed for any reason, then any actual transfer of Porting Collateral or ~~FCM~~ Porting Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Porting Collateral or ~~FCM~~ Porting Contracts that has occurred shall be immediately unwound.

~~(e) — Except as may be permitted by paragraph (g) below, expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an Open Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation 8, shall be void.~~

(d) Other Transfers of FCM Contracts. If and to the extent permitted under applicable law and the FCM Procedures, and if applicable under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may in accordance with the FCM Procedures:

- (i) transfer Open Contracts between its Proprietary Account and the FCM Client Sub-Account(s) of each of its FCM Clients (or in the case of Futures Products, its applicable FCM Omnibus Futures Client Account with LCH), upon an FCM Client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets; and

- (ii) transfer Open Contracts registered to the FCM Client Sub-Account of one of its FCM Clients to an FCM Client Sub-Account of one of its other FCM Clients.
- (e) ~~(f)~~ Where an FCM Clearing Member is a Defaulter. If an FCM Clearing Member is a ~~defaulter~~Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such applicable laws and regulations and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are ~~Swaps~~Swap Products held by FCM Clients of the ~~defaulter~~Defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients within seven calendar days of the date that the FCM Clearing Member is declared to be a Defaulter; **provided, that** the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations, any instructions from a Regulatory Body and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; **provided, further, that** the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the ~~defaulter~~Defaulter in accordance with such laws or regulations or the directions of any Regulatory Body or bankruptcy trustee. For the avoidance of doubt, the Client Clearing Annex which forms part of the Default Rules does not apply to FCM Contracts. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open Contracts of FCM Clients of the ~~defaulter~~Defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the provisions of the SwapClear DMP Annex or the ForexClear DMP Annex, respectively.
- ~~(g) — If and to the extent permitted under applicable law and the FCM Procedures, and if applicable under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may, in accordance with the FCM Procedures, transfer Open Contracts between its Proprietary Account and the FCM Client Sub-Account(s) of each of its FCM Clients (or in the case of~~



~~Futures Products, its applicable FCM Omnibus Futures Client Account with LCH), and vice versa, upon an FCM Client default or otherwise as permitted under and subject to applicable provisions of the CEA and CFTC Regulations regarding segregation of assets.~~

(f) **Clearing Member Instructions.**

(i) ~~(h) Notwithstanding~~ Subject to paragraph (ii) below, but otherwise notwithstanding anything to the contrary in ~~these~~ the FCM ~~Regulations~~ Rulebook, in making any transfer of ~~one or more FCM~~ Porting Contracts ~~(and if applicable the related~~ Porting Collateral) pursuant to this FCM Regulation ~~8,13~~, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including (A) ensuring that the transfer is properly authorized, ~~or rejected (as the case may be) and (B) the transfer is being made from the appropriate FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH, and that the appropriate account, FCM Contracts and Collateral have~~has been identified, ~~and~~ the Clearing House shall have no responsibility or liability therefor.

(ii) The Clearing House shall verify that the Porting Contracts identified to it by the applicable FCM Clearing Member as being the subject of such a transfer correspond to FCM Contracts which, according to its records, are registered in the name of the Carrying Clearing Member on behalf of the relevant FCM Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant FCM Clearing Member(s) and no transfer will occur pursuant to this FCM Regulation 13 until such time as the Porting Contracts identified to the Clearing House by the relevant FCM Clearing Member(s) can be verified by the Clearing House.

(g) **Limitation on Assignment of Rights under an FCM Contract and Transfer of an FCM Contract.** Except as may be permitted by paragraph (d) above, ~~expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an FCM Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with this FCM Regulation 13 and the FCM Procedures, shall be void. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 13 and the applicable forms or other requirements of the Clearing House in connection with such a transfer.~~

(h) **Indemnity.** The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than pursuant to the grounds set out in the final paragraph of FCM Regulation 13(a).

(i) **Transfer/Novation.** Transfers of Open Contracts made pursuant to this FCM Regulation 13 shall occur by transfer/novation of such Open Contracts rather than by closeout and rebooking of new FCM Contracts.

- (i) ~~(+)~~ **Futures Products.** Transfers of FCM Contracts that are Futures Products made pursuant to this FCM Regulation ~~8,~~13, other than in connection with an FCM Clearing Member default or FCM Client default to an FCM Clearing Member, shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; or (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding FCM Transaction for registration, **provided**, that the Exchange cooperates in effecting such transfer.

~~Regulation 9 — Margin and Collateral Generally; Other Obligations~~



## CHAPTER V - COLLATERAL AND VALUATIONS

### REGULATION 14 MARGIN AND COLLATERAL

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with Margin, and to keep the Clearing House furnished with sufficient Margin at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM Contracts from time to time to be registered in its name as Open Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish Margin to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the FCM Clearing Member to furnish Margin to the Clearing House pursuant to these FCM Regulations. For the avoidance of doubt, margining requirements and policies may vary among each Business Category of FCM Contract and among each Product therein.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any Collateral deposited by an FCM Clearing Member as Margin is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such Margin as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above, FCM Regulation ~~3046~~ or FCM Regulation ~~4049~~ or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all Collateral furnished by an FCM Clearing Member to the Clearing House pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish Collateral to or with the Clearing House otherwise than in conformance with this paragraph. It shall be accepted by every person (including FCM Clients) subject to or dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish to the Clearing House any securities or other assets of such person in the FCM Clearing Member's possession as Collateral for purposes of the FCM Rulebook.
- (ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes Collateral to the Clearing House pursuant to these FCM Regulations (A) that such FCM Clearing Member is the sole legal and beneficial owner of such Collateral or, as the case may be, such Collateral is so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to

the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such Collateral pursuant to these FCM Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

- (iii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish other securities or assets to the Clearing House in substitution of any Collateral furnished to the Clearing House pursuant to this FCM Regulation [9.14](#).
- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM Contract or to call for larger or additional amounts of Margin for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any Margin called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate furnishing of Margin from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such Margin by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such FCM Contracts or under the terms of any original or confirmed contract to which the FCM Clearing Member is party. In this paragraph, "**immediate provision**" means payment, deposit or delivery to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as Collateral in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept Collateral in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures, the requirements of applicable law and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (h) If, in the sole discretion of the Clearing House, any Collateral which has been furnished to it by an FCM Clearing Member pursuant to these FCM Regulations is no

longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of ~~Margin~~Collateral from such FCM Clearing Member. Such Collateral shall be furnished by such FCM Clearing Member on demand in a form prescribed by the FCM Procedures; **provided, that** at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with Collateral in a specified form and to demand that the FCM Clearing Member replace the whole or part of any Collateral furnished by an FCM Clearing Member pursuant to these FCM Regulations with Collateral in the form of cash.

- (i) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to FCM Regulation ~~9A15~~and paragraph (h) above and the settlement of any other obligations of an FCM Clearing Member to the Clearing House, upon the close-out or termination of an FCM Contract in accordance with the FCM Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such FCM Contract to the respective FCM Clearing Member to the extent that such Initial Margin has become Excess Margin following the close-out or termination of the relevant FCM Contract, **provided, that** such FCM Clearing Member is not a ~~defaulter~~Defaulter.
- (j) If the Clearing House takes any step under the Default Rules in relation to an FCM Clearing Member, any sum (including the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as Margin to the extent permitted by applicable law; **provided, that** notwithstanding ~~anything~~any provision to the contrary in these FCM Regulations, under no circumstances ~~(except as may be required to comply with applicable law or any order or instruction of a Regulatory Body or court)~~ will any Margin maintained in any FCM Omnibus ~~Swaps~~ Client Account with LCH be applied to satisfy proprietary obligations of the FCM Clearing Member or, except as may be required to comply with applicable law or any order or instruction of a Regulatory Body or court, any other obligations not related to such FCM Clearing Member's FCM Client Business in such Business Category of FCM Contract ~~(except;~~ **provided, however, that** where an FCM Client is in default with respect to the Margin required by the Clearing House in respect of its FCM Contracts, any Excess Margin attributable to such FCM Client in respect of any Business Category of FCM Contract may be applied to offset such FCM Client's Margin shortfall in respect of any other Business Category of FCM Contract).
- (k) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation ~~3(e),4,~~ shall be obligated to perform all of its respective obligations (including to pay or deliver all amounts due) as required pursuant to the FCM Regulations, the Default Rules and the Default ~~Fund~~ Rules, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation ~~3(e),4,~~ shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations, the Default Rules and the Default ~~Fund~~ Rules, as applicable.

- (l) Unless the Clearing House otherwise agrees in writing, Collateral furnished to the Clearing House in the form of cash shall not be capable of assignment by any person. Any purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of Collateral in the form of cash shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any Collateral in the form of cash.
- (m) **Creation of Security Interest.** Each FCM Clearing Member hereby grants the Clearing House a first priority security interest in and a first priority and unencumbered first lien upon any and all Collateral, Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including all property deposited in or attributable to ~~the default funds of the Clearing House,~~ a Proprietary Account, an FCM Omnibus Client Account with LCH ~~or any,~~ an LCH Client Segregated Depository Account, or any amounts owing to an FCM Clearing Member ~~in the default funds of the Clearing House~~ or a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any FCM Contracts cleared for such FCM Clearing Member, ~~its Affiliates~~ or its FCM Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House. ~~The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in the property and assets attributable to an FCM Clearing Member's FCM Omnibus Client Account with LCH be exercised to satisfy any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus Client Accounts with LCH; or (ii) an FCM Client with an FCM Client Sub-Account by application of Margin attributable to the FCM Client Sub-Account of another FCM Client, under the FCM Rulebook, but excluding any property deposited in or transferred to the Clearing House in respect of an FCM Clearing Member's Contribution to the default funds of the Clearing House.~~
- (n) The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder.
- (o) The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and applicable laws.
- (p) Notwithstanding any other provision of this FCM Regulation 14(p), in no event shall the Clearing House's security interests in the property attributable to an FCM Clearing Member's FCM Omnibus Client Account with LCH be security for, or be exercised to satisfy, any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus Client Accounts with LCH or (ii) an FCM Client by

application of Margin attributable to the FCM Client Sub-Account of a different FCM Client.

- (q) Provided that the Clearing House is not subject to the procedures of FCM Regulation 37 and is not otherwise insolvent, the Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to sell, pledge, rehypothecate, assign, invest, use or otherwise dispose of, or otherwise use in its business any cash Collateral it holds on behalf of an FCM Clearing Member with respect to such FCM Clearing Member's Proprietary Account, free from any claim or right of any nature whatsoever of the relevant FCM Clearing Member, including any equity or right of redemption by such FCM Clearing Member, subject only to any restrictions under applicable law (including bankruptcy law). Except to the extent otherwise specified for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other monies received with respect to any such investments or use. For purposes of determining the amount of Collateral held pursuant to the FCM Rulebook by the Clearing House with respect to an FCM Clearing Member's Proprietary Account, the Clearing House will be deemed to continue to hold all such Collateral and to receive any distributions or proceeds therefrom, regardless of whether the Clearing House has exercised any rights with respect to the Collateral listed in the immediately preceding sentence.
- (r) The Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to maintain or otherwise handle Collateral held by the Clearing House on behalf of FCM Clients (including Collateral deposited in or attributable to an FCM Omnibus Client Account with LCH or any LCH Client Segregated Depository Account) in the manner provided in the FCM Rulebook, including investing such Collateral in accordance with FCM Regulations 7(n). Except to the extent otherwise provided for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other monies received with respect to any such investments or use.
- (s) Although each FCM Clearing Member and the Clearing House intend the payment of each Contribution by the FCM Clearing Member to the Clearing House to be an outright payment or transfer by the FCM Clearing Member to the Clearing House (subject to the Clearing House's obligation to repay Contributions pursuant to FCM Default Fund Agreement and/or the Default Fund Rules), in the event that any or all of a Contribution is deemed to be collateral posted to the Clearing House by the FCM Clearing Member (in which the FCM Clearing Member retains an ownership interest), then, notwithstanding clause (m) above, the FCM Clearing Member shall be deemed to have pledged to the Clearing House as security for unconditional payment and satisfaction of each and every obligation and liability of the FCM Clearing Member to the Clearing House under the FCM Rulebook, and the FCM Clearing Member shall be deemed to have granted the Clearing House a first priority security interest in, the amount of any Contribution that has been deemed to be collateral and any income thereon and other proceeds thereof, and the Clearing House shall have all of the rights of use in respect of such Contributions as referenced in FCM Regulation 14(q) and any other additional rights provided for under the FCM Rulebook.
- (t) ~~(n)~~ Each FCM Clearing Member shall ensure that with respect to an FCM Transaction results in the registration of an FCM Contract on behalf of an FCM Contract that is of



a “non-hedging nature” (as such term is used in Part 39 the CFTC Regulations), it shall collect or remain furnished with additional FCM Client Funds from the relevant FCM Client in respect of such non-hedging FCM Contract in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the FCM Procedures.

(u) ~~(e)~~ Each FCM Clearing Member shall ensure that no FCM Client withdraws FCM Client Funds from an FCM Client Segregated Depository Account unless the “net liquidating value” (as such term is used in Part 39 of the CFTC Regulations) plus the FCM Client Funds attributable to such FCM Client remaining in such FCM Client Segregated Depository Account after such withdrawal is sufficient to meet the level of Required Margin, as calculated by the Clearing House in respect of all FCM Contracts entered into on behalf of that FCM Client.

(v) ~~(p)~~ **Gross and Net Margining Requirements – FCM Client Positions.**

(i) *Swap Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Swap Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client’s position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.

(ii) *Futures Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client’s position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation ~~914(p)(iv)~~, each FCM Clearing Member which clears Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation ~~47(c)(iv)~~.

(w) ~~(q)~~ **Net Margining of Proprietary Accounts.** FCM Contract positions established in an FCM Clearing Member's Proprietary Account shall be subject to net margin requirements with respect to the relevant Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contracts registered in the relevant Proprietary Account for the relevant Business Category of FCM Contract.

(x) ~~(+)~~ **Required Margin Increase in an FCM Client Sub-Account.** Certain provisions regarding the satisfaction by FCM Clearing Members of their obligations with respect to increases in Required Margin applicable to an FCM Client Sub-Account under both the Without Client Excess Model and the With Client Excess Model are set forth in FCM Regulation 9A.15(e) and FCM Regulation 9A.15(f), respectively.

(y) ~~(s)~~ **Required Margin Increase in an FCM Omnibus Futures Client Account with LCH.** If the Required Margin applicable to the FCM Contracts registered to an FCM Omnibus Futures Client Account with LCH is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in such FCM Omnibus Futures Client Account with LCH, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Futures Client Account with LCH; ~~and~~ or
- (ii) if the obligation of the FCM Clearing Member to satisfy the deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(z) ~~(+)~~ **Required Margin Increase in a Proprietary Account.** Where the amount of Required Margin applicable to the FCM Contracts of an FCM Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable FCM Clearing Member to furnish additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:

- (i) if and to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;
- (ii) the FCM Clearing Member furnishing additional Margin to the Clearing House in respect of such Proprietary Account; ~~and~~ or
- (iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(aa) ~~(+)~~ **Excess Margin in FCM Client Accounts.**

- (i) *Swap Products.* Certain provisions regarding Excess Margin in FCM Omnibus Swaps Client Accounts with LCH and the FCM Client Sub-Accounts therein (under both the Without Client Excess Model and the With Client Excess Model) are set forth in FCM Regulation 9A.15.
- (ii) *Futures Products.* An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM



Clients have FCM Contracts attributed to such FCM Omnibus Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Futures Client Account with LCH subject to FCM Regulation ~~6~~9(b) (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 47(1) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

(bb) ~~(v)~~ **Excess Margin in Proprietary Accounts.** An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Accounts. In accordance with the FCM Procedures, an FCM Clearing Member that is not a Defaulter may request the return of any such Excess Margin and upon such request the Clearing House shall return such Excess Margin, except the Clearing House may determine not to return such Excess Margin where an unsatisfied margin call is outstanding in respect of one or more of such FCM Clearing Member's FCM Omnibus Client Accounts with LCH, including in respect of any FCM Client Sub-Account therein. Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a Proprietary Account, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.



**REGULATION 15** ~~Regulation 9A~~ ~~Margining of Swap Product Client Accounts:~~  
~~Certain Additional~~ ~~Provisions; Without Client Excess Model;~~  
~~With Client Excess~~ ~~Model~~ **MARGINING OF SWAP**  
**PRODUCT CLIENT ACCOUNTS: CERTAIN ADDITIONAL PROVISIONS;**  
**WITHOUT CLIENT EXCESS MODEL; WITH CLIENT EXCESS MODEL**

The contents of this FCM Regulation ~~9A~~15 apply only with respect to the clearing and margining of Swap Products.

- (a) **FCM Buffer.** An FCM Clearing Member is permitted to furnish Collateral that is the property of such FCM Clearing Member (and not of its FCM Clients) to the Clearing House to be attributed to any of its FCM Omnibus Swaps Client Accounts with LCH as excess Margin for the benefit of all of its FCM Clients with positions registered or to be registered in such account, and the value of such Collateral as determined by the Clearing House in accordance with the FCM Rulebook (such value, the “**FCM Buffer**”) shall be recorded by the Clearing House as attributable to such FCM Clearing Member (for the benefit of its FCM Clients) in a sub-account of the applicable FCM Omnibus Swaps Client Account with LCH designated as an FCM Buffer sub-account (each such sub-account, with respect to each FCM Clearing Member, an “**FCM Buffer Sub-Account**”). The use and application of FCM Buffer in the With Client Excess Model and the Without Client Excess Model is further discussed below in paragraphs (e) and (f), respectively, and in the FCM Procedures.
- (b) **Unallocated Excess.**
- (i) Any Margin attributable to an FCM Omnibus Swaps Client Account with LCH that is not allocated to an FCM Client Sub-Account or the FCM Buffer Sub-Account therein (such Margin, “**Unallocated Excess**”) shall be credited by the Clearing House to the Unallocated Excess sub-account (the “**Unallocated Excess Sub-Account**”) of such FCM Omnibus Swaps Client Account with LCH. The Clearing House shall hold Unallocated Excess for the benefit of the FCM Clients corresponding to such FCM Omnibus Swaps Client Account with LCH as a class (the identities and amounts of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation ~~9A~~15 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus Swaps Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).
- (ii) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.

- (iii) Subject to paragraph (v) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess to the FCM Clearing Member's Proprietary Account, or (y) except in accordance with an instruction (provided in accordance with the FCM Rulebook) by the applicable FCM Clearing Member, apply Unallocated Excess to an FCM Client Sub-Account or to the FCM Buffer Sub-Account.
  - (iv) Upon the request of an FCM Clearing Member (including as a result of a standing instruction of an FCM Clearing Member) in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.
  - (v) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Accounts shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent required by applicable law and/or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.
  - (vi) Certain additional procedures relating to Unallocated Excess differ based on whether the FCM Omnibus Swaps Client Accounts with LCH to which such Unallocated Excess corresponds is subject to the Without Client Excess Model or the With Client Excess Model, as such models are described in FCM Regulation [9A15\(c\)](#) and FCM Regulation [9A15\(d\)](#) (and in other applicable provisions of the FCM Rulebook).
- (c) **Without Client Excess Model.** The provisions of this FCM Regulation [9A15\(c\)](#) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which prohibits the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**Without Client Excess Model**"). An alternative model which permits such Excess Margin to be maintained (the With Client Excess Model) is described in FCM Regulation [9A15\(d\)](#). The Without Client Excess Model is the default model that shall apply to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH, and such model shall apply to all such accounts except where an FCM Clearing Member, to the extent permitted by the FCM Procedures, applies to and is approved by the Clearing House to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the alternative model (the With Client Excess Model described in FCM Regulation [9A15\(d\)](#)).

The provisions of this FCM Regulation [9A15\(c\)](#) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the Without Client Excess Model.

- (i) ~~(i)~~—**Restriction on Excess Margin in FCM Client Sub-Accounts on a Day-to-Day Basis.** Excess Margin is not permitted to be maintained in any FCM Client Sub-Account on a day-to-day basis. However, an FCM Client’s FCM Client Sub-Account is permitted to maintain Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM Clearing Services shall be transferred by the Clearing House into the corresponding Unallocated Excess Sub-Account on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); **provided, that** all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus Swaps Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member furnishes Margin to the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client’s FCM Client Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.
- (ii) ~~(ii)~~—**Application of FCM Buffer.**
- (A) ~~(A)~~—The Clearing House shall be permitted to apply any portion of an FCM Clearing Member’s FCM Buffer (any portion of FCM Buffer when applied, “**Encumbered FCM Buffer**”) to any FCM Client Sub-Account held by such FCM Clearing Member in the same FCM Omnibus Swaps Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.
- (B) ~~(B)~~—At no time shall the Clearing House apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client’s FCM Client Sub-Account Balance and the Encumbered FCM Buffer applicable to such FCM Client’s FCM Client Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to such FCM Client Sub-Account. In the event that any such excess exists (*e.g.*, due to a decrease in Required Margin, the crediting of additional Margin attributable to such FCM Client, or other reasons) with respect to an FCM Client Sub-Account, the Clearing House shall reduce the amount of Encumbered FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Encumbered FCM Buffer shall again constitute only FCM Buffer (and shall no longer be considered Encumbered FCM Buffer).
- (C) ~~(C)~~—Any Encumbered FCM Buffer that is applied to an FCM Client Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of such FCM Client’s FCM Client Sub-Account Balance and shall

thereafter no longer constitute Encumbered FCM Buffer or FCM Buffer.

(D) ~~(D)~~—An FCM Clearing Member that is not a ~~defaulter~~Defaulter may request the return of any of its FCM Buffer that is not Encumbered FCM Buffer at any time in accordance with the FCM Procedures, and upon such request the Clearing House shall return such FCM Buffer.

(E) ~~(E)~~—In the event that an FCM Clearing Member furnishes Collateral to be applied to its FCM Omnibus Swaps Client Account with LCH but does not notify the Clearing House as to whether the Margin in respect of such Collateral should be considered Unallocated FCM Collateral or FCM Buffer, and has not notified the Clearing House that the collateral is attributable to individual FCM Clients, the Clearing House shall treat such Margin as furnished as FCM Buffer and credit it to the FCM Clearing Member's FCM Buffer Sub-Account.

(iii) ~~(iii)~~—**Unallocated Excess.**

(A) ~~(A)~~—An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the FCM Procedures, and the relevant Margin so furnished shall become Unallocated Excess.

(B) ~~(B)~~—An FCM Clearing Member may provide an instruction (provided in accordance with the FCM Rulebook) to the Clearing House directing it to apply all or a portion of its Unallocated Excess to an FCM Client Sub-Account within the corresponding FCM Omnibus Swaps Client Account with LCH.

(d) **With Client Excess Model.** The provisions of this FCM Regulation 9A15(d) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which provides for the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**With Client Excess Model**"). FCM Clearing Members may, to the extent provided in the FCM Procedures, apply for the Clearing House's approval to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the With Client Excess Model. Any FCM Omnibus Swaps Client Account with LCH for which no such approval of the Clearing House has been obtained shall be margined in accordance with the Without Client Excess Model (described in FCM Regulation 9A15(c)).

The provisions of this FCM Regulation 9A15(d) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the With Client Excess Model.

(i) ~~(i)~~—**Excess Margin in FCM Client Sub-Accounts.** An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in



respect of its FCM Client Sub-Accounts, in accordance with the provisions of the FCM Rulebook.

- (ii) ~~(ii)~~ — **Collateral Value Reports (CVRs)**. For each FCM Omnibus Swaps Client Account with LCH maintained by an FCM Clearing Member treated in accordance with the With Client Excess Model, an FCM Clearing Member shall provide to the Clearing House, at least once on each Business Day, a “Collateral Value Report” (a “**CVR**” or “**Collateral Value Report**”) that is compliant (as determined by the Clearing House in accordance with the FCM Procedures) and that instructs the Clearing House as to the appropriate allocation of the Omnibus Collateral Value attributable to each such FCM Omnibus Swaps Client Accounts with LCH among (A) each FCM Client Sub-Account therein and (B) the FCM Buffer Sub-Account therein. FCM Clearing Members are required to produce and submit CVRs in accordance with Part 22 of the CFTC Regulations and any other applicable law, and such CVRs must be compliant with the Clearing House’s policies regarding CVRs as set forth in the FCM Procedures and as may be set forth, from time to time, in other written materials of the Clearing House made available to FCM Clearing Members. Each FCM Clearing Member shall be fully responsible for all information contained in its CVRs and the Clearing House shall be entitled to rely fully on such information and has no obligation to conduct its own investigation (although it may do so) with respect to such information. The Clearing House shall update its applicable records in accordance with the most recently submitted compliant CVR corresponding to an FCM Omnibus Swaps Client Account with LCH, and the most recent compliant CVR with respect thereto shall supersede any prior CVRs. A CVR will not be compliant if its allocation of the Omnibus Collateral Value would trigger a margin call. Additionally, a CVR may not be used to satisfy a margin call and a CVR that reallocates the Omnibus Collateral Value so as to satisfy a margin call shall not be compliant.
- (iii) ~~(iii)~~ — **Assumed Allocation**. When an FCM Clearing Member furnishes Margin to an FCM Omnibus Swaps Client Account with LCH for the purposes of satisfying a margin call issued by the Clearing House, such Margin shall be automatically allocated (such allocation, the “**Assumed Allocation**”) by the Clearing House (A) among each of the FCM Client Sub-Accounts therein having at such time an FCM Client Sub-Account Balance shortfall (in respect of the amount of Required Margin then applicable to each such sub-account) and (B) such allocation shall be made on a pro rata basis based on the amount of shortfall in each such sub-account. An FCM Clearing Member is not permitted to deliver a CVR simultaneously with its deposit of Collateral in satisfaction of a margin call so as to avoid the Assumed Allocation. However, an FCM Clearing Member may subsequently deliver a CVR allocating the entire Omnibus Collateral Value in the applicable account and any prior Assumed Allocation shall not limit the ability of subsequently delivered CVRs to allocate the Omnibus Collateral Value in the normal manner as provided in the FCM Rulebook.
- (iv) ~~(iv)~~ — **Application of FCM Buffer**. The Clearing House will look to FCM Buffer to offset any FCM Client Sub-Account Balance deficits (on an



aggregate basis) in the corresponding FCM Omnibus Swaps Client Account with LCH, and will not issue a margin call to an FCM Clearing Member in respect of the amounts of any such deficits to the extent such amounts could be offset by FCM Buffer. An FCM Clearing Member that is not a ~~defaulter~~Defaulter may request the return of any of its FCM Buffer that is not, at such time, being used by the Clearing House in such manner to offset any such FCM Client Sub-Account Balance deficits.

(v) ~~(v)~~ — **Unallocated Excess.**

(A) ~~(A)~~ — An FCM Clearing Member is permitted to furnish Collateral on behalf of its FCM Clients to be applied as Margin directly to the relevant Unallocated Excess Sub-Account as set forth in the FCM Procedures. Any Margin furnished by an FCM Clearing Member in respect of an FCM Omnibus Swaps Client Account with LCH that is (1) not furnished in satisfaction of an outstanding margin call and (2) not accompanied by a new and compliant CVR, shall be automatically deemed to be furnished as Unallocated Excess and shall be credited to the applicable Unallocated Excess Sub-Account.

(B) ~~(B)~~ — An FCM Clearing Member may deliver a CVR to the Clearing House which has the effect of allocating all or a portion of the applicable Unallocated Excess into FCM Client Sub-Accounts and/or the FCM Buffer Sub-Account in the same FCM Omnibus Swaps Client Account with LCH; **provided, that** such a CVR delivery may not be used for purposes of allocating Unallocated Excess in order to satisfy a margin call.

- (e) **Required Margin Increase in an FCM Client Sub-Account Subject to the Without Client Excess Model.** If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the Without Client Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) the application of any Available FCM Buffer (*i.e.*, FCM Buffer that is not Encumbered FCM Buffer and that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Swaps Client Account with LCH) and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance or MCE if applicable.

If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

- (i) ~~(A)~~ — the applicable FCM Clearing Member furnishing additional Margin to the Clearing House on behalf of the applicable FCM Client; ~~and/or~~

(ii) ~~(B)~~—if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause ~~(A)~~i above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(f) **Required Margin Increase in an FCM Client Sub-Account Subject to the With Client Excess Model.** If the Required Margin applicable to the FCM Contracts registered to an FCM Client's FCM Client Sub-Account subject to the With Client Excess Model is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in the corresponding FCM Client Sub-Account Balance, the FCM Client Sub-Account Balance shortfall will be satisfied in whole or in part (as applicable) by (x) any Available FCM Buffer that is credited to the FCM Buffer Sub-Account within the applicable FCM Omnibus Swaps Client Account with LCH and (y) any credit extended by the Clearing House (in the Clearing House's sole discretion), including any SwapClear Tolerance ~~or~~of MCE if applicable.

If the FCM Client Sub-Account Balance shortfall referred to above cannot be fully satisfied with Available FCM Buffer and/or Clearing House credit as set forth above, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:

(i) ~~(A)~~—the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Swaps Client Account with LCH (which shall be allocated in accordance with the Assumed Allocation); ~~and/or~~

(ii) ~~(B)~~—if the obligation of the FCM Clearing Member to satisfy the FCM Client Sub-Account Balance deficit has not been fully discharged pursuant to clause ~~(A)~~i above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

~~(a) — Regulation 10 Official Quotations and Reference Price; Settlement and Revaluation~~

**REGULATION 16 OFFICIAL QUOTATIONS AND REFERENCE PRICE;  
SETTLEMENT AND REVALUATION**

- (a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (b) If the official quotations and/or Reference Prices prescribed in the Procedures are unavailable, the Clearing House may determine, in its sole discretion, a substitute official quotation or Reference Price. In such circumstances, the substitute official quotation or Reference Price determined by the Clearing House is binding on an FCM Clearing Member and may in no circumstances be called in question.
- (c) ~~(b)~~ For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price determined by a third party or any Reference Price.
- (d) ~~(e)~~ **Settlement and Revaluation.** With respect to settlement and revaluation procedures, the settlement and revaluation procedures for each Product shall be set forth in the chapter of the FCM Rulebook applicable to such Product and/or in the relevant section of the FCM Procedures.

**~~Regulation 11 — Market Disorders, Impossibility of Performance, Trade Emergency~~**

- ~~(a) — Paragraph (c) of this FCM Regulation 11 shall not apply to FCM Option Contracts.~~
- ~~(b) — In relation to FCM Exchange Contracts, if an Exchange Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Exchange Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to FCM Contracts which are not FCM Exchange Contracts, determines that one of the following conditions is satisfied, namely:~~
- ~~(i) — a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or~~
- ~~(ii) — the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or~~
- ~~(iii) — the EU or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any~~

~~provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;~~

~~then:~~

- ~~(iv) in respect of such FCM Contracts which are not FCM Exchange Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 13 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM Contracts; and~~
- ~~(v) such FCM Exchange Contracts for such Delivery Months, Prompt Dates or other delivery periods as the Exchange Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Exchange Board) as the Clearing House shall specify (which may include FCM Exchange Contracts under which Delivery Notice or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Exchange Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with FCM Regulation 13 and the FCM Procedures at a price determined by the Exchange Board (or the Clearing House as the case may be). In the event that a price fails to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Exchange Board pursuant to Exchange Rules.~~

~~Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing Member who is a party to FCM Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such FCM Contracts invoiced back notwithstanding any further change of circumstances.~~

- ~~(c) If, in the opinion of the Clearing House after consultation with the relevant Exchange Board, a Seller's complete performance of an FCM Exchange Contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected FCM Exchange Contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Exchange Board, and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures.~~
- ~~(d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more FCM Exchange Contracts for such commodity in an FCM Clearing Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.~~

Any formal announcement made under this FCM Regulation shall be made by notice posted by the Exchange or the Clearing House (or by other means as determined by the Clearing House) or as prescribed by the FCM Procedures.

## **Regulation 12 — Force Majeure**

- ~~(a) — Neither the Clearing House (nor any other member of the LCH.Clearent Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 11(a)(i), (ii) or (iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules or the rules of an FCM Approved Trade Source System.~~
- ~~(b) — On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other:~~
- ~~(i) — in respect of affected FCM Exchange Contracts or FCM Contracts subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or the rules of a relevant FCM Approved Trade Source System or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with FCM Regulation 13, some or all such FCM Exchange Contracts or such FCM Contracts in the FCM Clearing Member's name at a price determined by the relevant Exchange or FCM Approved Trade Source System, or where Exchange Rules or the rules of an FCM Approved Trade Source System permit, to take such other action as it deems necessary or desirable in respect of some or all such FCM Exchange Contracts or FCM Contracts in the FCM Clearing Member's name or require the FCM Clearing Member to take such action as the Clearing House may direct in respect of the same; and~~
  - ~~(ii) — in respect of affected FCM Contracts that are not FCM Exchange Contracts or subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled to require any of the affected FCM Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with FCM Regulation 13, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM Contracts.~~

**Regulation 13 — Invoicing Back**

- ~~(a) — Invoicing back of an FCM Clearing Member's FCM Contracts pursuant to FCM Regulation 11, FCM Regulation 12, the Default Rules (in the case of FCM Exchange Contracts), or otherwise, shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM Contracts against such opposite contracts.~~
- ~~(b) — The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of FCM Contracts in their names for the same commodity and Delivery Month or Prompt Date as the FCM Contracts invoiced back under paragraph (a) above to the nearest whole number of Lots, or in the case of FCM Option Contracts on the terms of the relevant underlying contracts specified in the FCM Procedures (if applicable), for the same Expiry Month and Strike Price as the FCM Contracts invoiced back under paragraph (a) above, or in the case of FCM Contracts that are not FCM Exchange Contracts on the same FCM Contract Terms as the FCM Contracts invoiced back under paragraph (a) above, and thereupon settling such FCM Contracts against such opposite contracts.~~
- ~~(c) — Where Open Contracts are invoiced back pursuant to FCM Regulation 11 or FCM Regulation 12 the Clearing House shall make up the accounts of any FCM Clearing Member affected by such invoicing back in accordance with FCM Regulation 11 or FCM Regulation 12, as applicable. Where an FCM Contract is invoiced back under the Default Rules, the account of such other FCM Clearing Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.~~
- ~~(d) — Opposite FCM Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation 11, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back or, in the case of Exchange Contracts, at a price or (where applicable) Premium fixed or determined by the relevant Exchange Board. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.~~
- ~~(e) — In this FCM Regulation 13:~~
- ~~(i) — “net position” means: (A) in respect of FCM Contracts in a Product for which there are Economic Terms (as set forth in the definition of “Economic Terms” in these FCM Regulations), one or more of such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts on the same Economic Terms and (B) in respect of FCM Contracts in all other Products not specified in (A) above, one or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no~~



~~matching FCM Contracts for the same Delivery Month, Expiry Month or Prompt Date; and~~

- ~~(ii) “opposite contract” means an FCM Contract on the same terms (except as to price), as the FCM Contract to be invoiced back in accordance with this FCM Regulation 13, but where an FCM Clearing Member has position “X” in respect of an FCM Contract to be invoiced back (where such FCM Contract consists of positions “X” and “Y”), such FCM Clearing Member shall have position “Y” in respect of the opposite contract and vice versa.~~

#### **Regulation 14 — Currency Conversion**

~~For the purpose of exercising any rights under these FCM Regulations, the Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of an FCM Clearing Member’s accounts (including FCM Client Segregated Depository Accounts and FCM Omnibus Client Accounts with LCH) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the FCM Procedures.~~

#### **Regulation 15 — Disclosure**

- ~~(a) The Clearing House shall have authority to supply any information whatsoever concerning an FCM Clearing Member and its trading to (a) any Regulatory Body which is entitled to receive or request any such details or information, (b) LCH.Clearnet Group Limited, (c) LCH.Clearnet SA or (d) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same.~~
- ~~(b) The Clearing House shall also be entitled to supply any information whatsoever concerning an FCM Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.~~

#### **Regulation 16 — Fees and Other Charges**

- ~~(a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such FCM Clearing Members, by such times, and in such manner as may be prescribed by the FCM Procedures.~~



- ~~(b) Accommodation charges made by the Clearing House pursuant to FCM Regulation 8(d) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.~~
- ~~(c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.~~

### ~~Regulation 17 — Records~~

~~An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation 7, FCM Regulation 8 and FCM Regulation 31.~~

### ~~Regulation 18 — FCM Procedures~~

~~The FCM Procedures shall take effect and shall be binding on FCM Clearing Members as if they formed part of these FCM Regulations save that, in the event of any conflict between the provisions of these FCM Regulations and the FCM Procedures, the provisions of these FCM Regulations shall prevail.~~

### ~~Regulation 19 — Alteration of FCM Regulations and the FCM Procedures~~

- ~~(a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to FCM Clearing Members, amend or extend these FCM Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these FCM Regulations may take effect so as to apply to FCM Contracts registered in an FCM Clearing Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.~~
- ~~(b) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the FCM Procedures by notice to such FCM Clearing Members as may be affected.~~
- ~~(c) The accidental omission to give notice under this FCM Regulation 19 to, or the non-receipt of notice under this FCM Regulation 19 by, any FCM Clearing Member shall not invalidate the amendment or extension with which the notice is concerned.~~

**Regulation 20 — Interpretation of these FCM Regulations**

- ~~(a) — In the event of inconsistency between the provisions of these FCM Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these FCM Regulations shall prevail.~~
- ~~(b) — The headings to these FCM Regulations are for convenience only and shall not affect their interpretation.~~

**Regulation 21 — Waiver**

~~No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these FCM Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.~~

**Regulation 22 — Validity of FCM Regulations and Action**

~~If at any time any provision of these FCM Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these FCM Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.~~

**Regulation 23 — Governing Law and Jurisdiction**

- ~~(a) — These FCM Regulations, the FCM Procedures and each FCM Contract shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and IN ACCORDANCE WITH the laws of the United States of America, including the CEA and applicable bankruptcy and insolvency laws.~~
- ~~(b) — The Other Specific Regulations shall be governed by and construed in accordance with the laws of England and Wales.~~
- ~~(c) — The Clearing House and every FCM Clearing Member hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any FCM Contract, these FCM Regulations, the FCM Procedures or to the Other Specific Regulations (in the case of the Other Specific Regulations, only with respect to a claim or matter arising from or in relation to an FCM Contract, FCM Clearing Services or these FCM Regulations);~~

~~and each FCM Clearing Member irrevocably submits to such jurisdiction and waives any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.~~

- ~~(d) The Clearing House and each FCM Clearing Member hereby irrevocably waives any right to a trial by jury in any litigation directly or indirectly arising out of or relating to any FCM Contract, the FCM Procedures, the Other Specific Regulations or to these FCM Regulations.~~
- ~~(e) Each FCM Clearing Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment) and execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.~~

#### **Regulation 24 — Exclusion of Liability**

- ~~(a) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM Contract, the terms of such FCM Contract or whether any alleged agreement or arrangement constitutes an FCM Contract.~~
- ~~(b) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 24(d), neither the Clearing House nor any other member of the LCH.Clearnet Group shall be liable whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of ANY NATURE whatsoever suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulations 11, 12, 30 or 40(f) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.~~
- ~~(c) Without prejudice to FCM Regulation 24(b) and FCM Regulation 24(d), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall be liable under any circumstances (including as a result of any negligence by the Clearing House, or any other~~

~~member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.~~

- ~~(d) Nothing in this FCM Regulation 24 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or willful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or willful default on the part of the Clearing House.~~
- ~~(e) Without prejudice to the provisions of FCM Regulation 1 and FCM Regulation 24(d) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including any FCM Client) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.~~
- ~~(f) Without prejudice to FCM Regulation 1 and FCM Regulation 24(d), neither the Clearing House, nor any other member of the LCH.Clearnet Group, shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.~~

### ~~Regulation 24A Netting~~

- ~~(a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a defaulter, under an FCM Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.~~
- ~~(b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of~~

~~corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.~~

~~(c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM Contracts to which it is a party in accordance with paragraph (d) below.~~

~~(d) Upon the occurrence of a Termination Date:~~

~~(i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM Contract between them which would, but for this FCM Regulation 24A, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;~~

~~(ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM Contract where agreed by the Clearing House and the FCM Clearing Member (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM Contract; and~~

~~(iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").~~

~~(iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM Omnibus Client Accounts with LCH:~~

~~(A) the FCM Clearing Member shall determine two or three net amounts under paragraph (d)(iii); (1) if applicable, one net amount in respect of gains and losses arising on FCM Contracts registered to each of the FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH,, (2) if applicable, one net amount in respect of gains and losses arising on FCM Contracts registered to each of the FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH, and (3) a net amount in respect of gains and losses arising on FCM Contracts registered to the FCM Clearing Member's Proprietary Account; and~~

- ~~(B) the two or three net amounts determined under paragraph (iv)(1) above shall constitute Termination Amounts.~~
- ~~(v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.~~
- ~~(vi) A Termination Amount shall, subject to FCM Regulation 24B, be paid in the Base Currency by the close of business on the Business Day following notification pursuant to paragraph (v) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the FCM Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.~~
- ~~(vii) For the purposes of any calculation required to be made under this FCM Regulation 24A, the FCM Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.~~

~~The FCM Clearing Member's rights under this FCM Regulation 24A shall be in addition to, and not in limitation or exclusion of, any other rights which the FCM Clearing Member may have (whether by agreement, operation of law or otherwise, including its rights under FCM Regulation 6(i)).~~

#### ~~Regulation 24B Distribution of Assets~~

- ~~(a) Where (after the netting and set-off provided for in FCM Regulation 24A and FCM Regulation 6(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation 24A and General Regulation 39A (under the UK General Regulations)) in full, the claims of the Clearing Members shall be met first to those Clearing Members who are FCM Clearing Members and SwapClear Clearing Members and/or ForexClear Clearing Members in an amount equal to the outstanding SwapClear Contributions of such FCM Clearing Members and SwapClear Clearing Members and/or the outstanding ForexClear Contributions of such FCM Clearing Members and ForexClear Clearing Members (as applicable) and, thereafter, pro rata to each Clearing Member's respective claim (and in respect of FCM Clearing Members and SwapClear Clearing Members who have received an amount relating to their outstanding SwapClear Contributions, their respective claims shall be reduced by such amounts so received; and in respect of FCM Clearing Members and ForexClear Clearing Members who have received an amount relating to their outstanding ForexClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each FCM Clearing Member and SwapClear~~



~~Clearing Member and/or ForexClear Clearing Member the amount equal to its outstanding SwapClear Contribution and/or its outstanding ForexClear Contribution (as applicable), the Clearing House shall distribute the assets available to it to each such FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member (as applicable) in an amount equal to the proportion that the outstanding SwapClear Contribution of the relevant FCM Clearing Member or SwapClear Clearing Member and/or the outstanding ForexClear Contribution of the relevant FCM Clearing Member or ForexClear Clearing Members bears to the aggregate of: (i) the sum of the outstanding SwapClear Contributions of all relevant FCM Clearing Members and SwapClear Clearing Members and (ii) the sum of the outstanding ForexClear Contributions of all relevant FCM Clearing Members and ForexClear Clearing Members.~~

- ~~(b) Notwithstanding anything to the contrary in these FCM Regulations or the FCM Rulebook, this FCM Regulation 24B shall be governed by and construed in accordance with the governing law provided for in paragraph (a) of General Regulation 38 (under the UK General Regulations).~~
- ~~(c) For the purposes of this FCM Regulation 24B, the term "Clearing Member" shall include FCM Clearing Members and all other Clearing Members (as defined in the UK General Regulations) of the Clearing House.~~

#### ~~Regulation 25 Acknowledgements and Agreements of FCM Clients and Affiliates~~

~~Each FCM Client and Affiliate, by participating in FCM Transactions and entering FCM Contracts through its respective FCM Clearing Member(s), shall be deemed to understand, acknowledge and agree that:~~

- ~~(a) the services provided by the Clearing House with regard to the FCM Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;~~
- ~~(b) the FCM Regulations shall govern the registration of FCM Contracts and all transactions between an FCM Client or Affiliate and its FCM Clearing Member resulting in the registration of FCM Contracts, and at the time of registration of an FCM Contract the FCM Client or Affiliate on whose behalf it was registered will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including, without limitation, all applicable terms of the FCM Regulations and the schedules thereto) automatically and without any further action by such FCM Client or Affiliate or by its FCM Clearing Member, and such FCM Client or Affiliate agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM Contracts in all respects;~~
- ~~(c) the provisions of FCM Regulation 24 (Exclusion of Liability) shall apply to each FCM Client and Affiliate *mutatis mutandis* as though entered into by each FCM Client and Affiliate directly with the Clearing House;~~
- ~~(d) the Clearing House shall be under no obligation to deal directly with any FCM Client or Affiliate, and the Clearing House may deal exclusively with the FCM Clearing Members;~~



- ~~(e) the Clearing House shall have no obligations to any FCM Client or Affiliate with respect to any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client or Affiliate, including to any repayment or redelivery obligations;~~
- ~~(f) no FCM Client or Affiliate shall have any right to receive from the Clearing House, or any right to assert a claim against the Clearing House with respect to, nor shall the Clearing House be liable to any FCM Client or Affiliate for, any payment or delivery obligation in connection with any FCM Contract held by the relevant Clearing Member on behalf of such FCM Client or Affiliate and the Clearing House shall make any such payments or redeliveries solely to the FCM Clearing Member;~~
- ~~(g) upon the default of an FCM Client's or Affiliate's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or applicable laws or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's or Affiliate's FCM Contracts entered into by such FCM Clearing Member, subject to applicable law, regardless of whether such FCM Client or Affiliate had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;~~
- ~~(h) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client or an Affiliate;~~
- ~~(i) where an FCM Clearing Member provides an FCM Client's or Affiliate's securities or other assets to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and applicable law, and FCM Clients and Affiliates shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and applicable law; and~~
- ~~(j) each FCM Client and Affiliate provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any FCM Client Funds of such FCM Client or Affiliate in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as Collateral for the purposes of clearing FCM Contracts entered on behalf of the FCM Client or Affiliate. **Regulation 26**  
**FCM Exchange Contracts**~~

## CHAPTER VI - FCM EXCHANGE CONTRACTS

FCM ~~Regulations 26A~~Regulation 17 through ~~26K~~FCM Regulation 28 apply to FCM Exchange Contracts. Such FCM Regulations shall be referred to as the “**Exchange Contract Rules**”.

### ~~Regulation 26A~~ — **Exercise of Options**

#### REGULATION 17 EXERCISE OF OPTIONS

- (a) An Option may, subject to paragraph (d) below, be exercised, or deemed to be exercised, or abandoned in accordance with paragraph (b) or (c) below on the day and by the time prescribed by Exchange Rules, or if there is no such prescribed day or time, by the day and time specified in the FCM Procedures. If any prescribed day is not a Business Day, an Option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, or if no such day is so prescribed, on the next Business Day.
- (b) Subject to Exchange Rules, an Option may be exercised by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so exercised by the day and time referred to in paragraph (a) above, the Option shall either expire or, if Exchange Rules so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the FCM Procedures. The Clearing House shall not be liable to any FCM Client if the relevant FCM Clearing Member fails to provide proper notice to the Clearing House and an Option expires or is deemed to be exercised in contradiction to such FCM Client’s instructions to the FCM Clearing Member.
- (c) Subject to Exchange Rules, an Option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so abandoned by the day and time referred to in paragraph (a) above, the Option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the FCM Procedures.
- (d) If permitted under Exchange Rules or, where relevant, the FCM Procedures, an Option may be exercised or abandoned by or on behalf of an FCM Clearing Member prior to the day and time referred to in paragraph (a) above in accordance with Exchange Rules or, where relevant, the FCM Procedures.
- (e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs (b), (c) or (d) above, or in accordance with the FCM Procedures, as applicable, without making any inquiry, investigation or check as to whether it complies with the Exchange Rules or as to the authority of any person purporting to exercise or abandon an Option on behalf of an FCM Clearing Member; **provided**, that the Clearing House may, in its sole discretion, reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if, in the sole discretion of the

Clearing House, it does not appear to comply with Exchange Rules or the FCM Procedures notwithstanding that the Clearing House may, as Buyer, have passed on such notice or other prescribed form of exercise or abandonment to a Seller.

- (f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received (and not rejected) by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a Buyer under the terms of an FCM Option Contract, the Clearing House may exercise or abandon such FCM Option Contract in accordance with Exchange Rules or the FCM Procedures and in accordance with FCM Regulation ~~2.3~~.
- (h) Upon the exercise or deemed exercise of an Option pursuant to this FCM Regulation ~~26A, 17~~, FCM Regulation ~~23~~(b)(ii) shall come into effect.

~~**Regulation 26B — Physically Settled FCM Exchange Contract Arising upon the Exercise of an Option**~~

**REGULATION 18 PHYSICALLY-SETTLED FCM EXCHANGE CONTRACTS ARISING UPON THE EXERCISE OF AN OPTION**

- (a) Subject to these FCM Regulations, Physically-Settled FCM Exchange Contracts shall be fulfilled in accordance with Exchange Rules. No Physically-Settled FCM Exchange Contract shall be for a unit or quantity smaller than one Lot and the amount or quantity to be delivered shall be one Lot or multiples thereof (or such other amount or quantity as may be specified in Exchange Rules from time to time).
- (b) Where a Physically-Settled FCM Exchange Contract, is registered pursuant to FCM Regulation ~~26A~~17(h) upon the exercise or deemed exercise of an Option, the Buyer under the terms of the Physically-Settled FCM Exchange Contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the FCM Procedures by the time and in the manner specified in Exchange Rules or the FCM Procedures. The Clearing House as Buyer under the terms of a Physically-Settled FCM Exchange Contract shall, in accordance with FCM Regulation ~~2,3~~, give to the Seller under the terms of such Physically-Settled FCM Exchange Contract, such information as may be prescribed by Exchange Rules or the FCM Procedures.
- (c) The Seller under the terms of a Physically-Settled FCM Exchange Contract shall deliver the commodity to the Clearing House as Buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the FCM Procedures, and the Clearing House as Seller under the terms of a Physically-Settled FCM Exchange Contract shall, in accordance with FCM Regulation ~~2,3~~, deliver the commodity the subject of such Physically-Settled FCM Exchange Contract to an FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) who is a Buyer under the terms of such Physically-Settled FCM Exchange Contract.
- (d) The Buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the FCM Procedures in the form and manner and by the time prescribed in Exchange Rules or the FCM Procedures, and the Clearing House shall, in accordance with FCM Regulation ~~2,3~~, pay the Seller its price and such other amounts as may be required by Exchange Rules or, where relevant, the FCM Procedures.
- (e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may, in its absolute discretion and in accordance with the FCM Procedures:
- (i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM Exchange Contract to deliver the commodity underlying such Physically-Settled FCM Exchange Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a Physically-Settled FCM Exchange Contract, as the Clearing House may appoint; and
- (ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM Exchange Contract to pay the price and any other amounts payable pursuant to such Physically-Settled FCM Exchange Contract to such other

FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a Physically-Settled FCM Exchange Contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such Buyer or Seller as the case may be towards the Clearing House. Each FCM Clearing Member agrees that it will accept delivery of a commodity or payment of the price, as the case may be, from an FCM Clearing Member (or Non-FCM Clearing Member, if applicable) as directed in accordance with (i) or (ii) above, in satisfaction of the obligations owed to it by the Clearing House to deliver the commodity or make payment of the price and such other amounts under the terms of a Physically-Settled FCM Exchange Contract.

- (f) If an invoice is not ready when payment becomes due pursuant to this FCM Regulation ~~26B~~18, payment shall be made and received on account.
- (g) For the avoidance of doubt, the Clearing House shall have no obligation to, and shall not, deal with or accept instructions from an FCM Client (or any person other than the relevant FCM Clearing Member) with respect to an FCM Option Contract or a Physically-Settled FCM Exchange Contract. The Clearing House shall only accept notices, instructions, written confirmations and other related documents required under this FCM Regulation ~~26B~~18 from an FCM Clearing Member who clears FCM Exchange Contracts.

~~Regulation 26C~~ ~~Margining~~ ~~of~~ ~~FCM~~ ~~Exchange~~ ~~Contracts~~

**REGULATION 19 MARGINING OF FCM EXCHANGE CONTRACTS**

All FCM Exchange Contracts shall be subject to margining requirements pursuant to and as prescribed in FCM Regulation ~~9~~,14, the FCM Procedures and, if applicable, the relevant Exchange Rules.

~~Regulation 26D — Obligation to Make and Accept Delivery Notice under FCM Exchange Contracts~~

**REGULATION 20 OBLIGATION TO MAKE AND ACCEPT DELIVERY NOTICE UNDER FCM EXCHANGE CONTRACTS**

- (a) Subject to these FCM Regulations, FCM Exchange Contracts shall be fulfilled in accordance with Exchange Rules or the FCM Procedures. No FCM Exchange Contract shall be for a unit or quantity smaller one Lot and the amount or quantity delivered shall be for one Lot or multiples thereof (or such other amount or quantity as may be specified in Exchange Rules from time to time). Where the terms of an FCM Exchange Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM Exchange Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.
- (b) Paragraphs (c) to (l) of this FCM Regulation ~~26D~~20 shall apply only to Physically-Settled FCM Exchange Contracts for which a Delivery Notice is required~~;~~:
- (c) An FCM Clearing Member, as Seller in respect of a Physically-Settled FCM Exchange Contract, shall give a Delivery Notice to the Clearing House as Buyer, together with such other documents as may be required by Exchange Rules or the FCM Procedures by the time specified in Exchange Rules or the FCM Procedures in respect of a Physically-Settled FCM Exchange Contract for a particular Delivery Month or Prompt Date, and in the form and manner prescribed by Exchange Rules or the FCM Procedures. The Clearing House, as Seller in respect of a Physically-Settled FCM Exchange Contract, shall in accordance with FCM Regulation ~~23~~23 give a Delivery Notice to the Buyer under the terms of such Physically-Settled FCM Exchange Contract, together with such other documents as may be required by Exchange Rules or the FCM Procedures.
- (d) A Seller or Buyer shall give to the Clearing House such additional documents or information required by Exchange Rules to be given in respect of an FCM Exchange Contract Subject to Delivery Notice by the time prescribed by Exchange Rules and in the form and manner specified therein or in the FCM Procedures. The Clearing House as Seller (or Buyer) under the terms of an FCM Exchange Contract Subject to Delivery Notice shall in accordance with FCM Regulation ~~23~~23 give such additional documents or information to the Buyer (or Seller) under the terms of such FCM Exchange Contract Subject to Delivery Notice.
- (e) The Clearing House shall be under no obligation to review a Delivery Notice or any other related documents received from an FCM Clearing Member pursuant to paragraph (c) or (d) above. The passing on by the Clearing House of such Delivery Notice or such documents received from a Seller (or Buyer as the case may be) pursuant to the terms of an FCM Exchange Contract Subject to Delivery Notice, to a Buyer (or Seller as the case may be) pursuant to the terms of an FCM Exchange Contract Subject to Delivery Notice, shall not constitute acceptance by the Clearing House of such Delivery Notice or such documents, and if the FCM Clearing Member to whom it passed on such Delivery Notice or such documents rejects the same where permitted by Exchange Rules, the Clearing House shall be entitled to reject the same



- as against the FCM Clearing Member from whom it received such Delivery Notice or such documents.
- (f) Every Buyer (other than the Clearing House) that has a Physically-Settled FCM Exchange Contract in its name for the current delivery period or Prompt Date shall be bound to accept in fulfilment of the Clearing House's obligations as Seller under paragraph (d) any Delivery Notice or other documents complying with Exchange Rules which is given to it by the Clearing House in accordance with FCM Regulation 2.3.
  - (g) Subject to paragraph (e), no Delivery Notice may be withdrawn or substituted by the Seller once such Delivery Notice is received by the Buyer except with the consent of such Buyer or otherwise in accordance with Exchange Rules.
  - (h) Where permitted by Exchange Rules, a Delivery Notice together with such other documents as may be required by Exchange Rules or the FCM Procedures may be given to the Clearing House by or on behalf of a Seller in respect of an FCM Exchange Transaction to which the Seller is party, such Delivery Notice to be given to the Clearing House together with such particulars of the FCM Exchange Transaction as may be required by the Clearing House, including if required, the name of the Buyer in respect of such FCM Exchange Transaction, by the time specified in Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction as an FCM Exchange Contract in the name of the Seller shall be effected as prescribed by the FCM Procedures.
  - (i) The Clearing House may give a Delivery Notice, together with such other documents as may be required by Exchange Rules or the FCM Procedures, to a Buyer in respect of an FCM Exchange Transaction to which the Buyer is party. Such particulars of the FCM Exchange Transaction as the Clearing House may require, shall be furnished by or on behalf of the Buyer to the Clearing House in accordance with Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction in the name of the Buyer shall be effected as prescribed by the FCM Procedures.
  - (j) The Clearing House may give a Delivery Notice and documents received from a Seller pursuant to paragraph (h) above to a Buyer in respect of an FCM Exchange Transaction to which the Buyer is party, and shall do so as agent for the Seller. The furnishing of particulars and the registration of such FCM Exchange Transaction in the name of a Buyer shall be effected as provided in paragraph (i) above. Upon registration of an FCM Exchange Transaction pursuant to paragraph (h), the giving of the Delivery Notice and documents by the Clearing House to the Buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraphs (c) and (f) above.
  - (k) In implementing this FCM Regulation ~~26D~~20, the Clearing House may effect and register such FCM Exchange Contracts in an FCM Clearing Member's name as may be prescribed in the FCM Procedures at a price determined by the Clearing House in accordance with the FCM Procedures.
  - (l) If the relevant Exchange Rules require a Buyer to give a Delivery Notice and a Seller to receive a Delivery Notice in respect of an FCM Exchange Contract, any reference

in this FCM Regulation ~~26D~~20 and in FCM Regulation ~~26F~~22 to a Seller giving a Delivery Notice shall be construed as being a reference to a Buyer giving a Delivery Notice and a reference to a Buyer receiving a Delivery Notice shall be construed as being a reference to a Seller receiving a Delivery Notice.

**~~Regulation 26E — Physically-Settled FCM Exchange Contracts not Requiring Delivery Notice~~****REGULATION 21 PHYSICALLY-SETTLED FCM EXCHANGE CONTRACTS NOT REQUIRING DELIVERY**

- (a) This FCM Regulation ~~26E~~21 shall only apply with respect to Physically-Settled FCM Exchange Contracts for which a Delivery Notice is not required.
- (b) The obligations of an FCM Clearing Member under a Physically-Settled FCM Exchange Contract shall be performed in accordance with the terms of such Physically-Settled FCM Exchange Contract and in the manner and by the time prescribed by Exchange Rules, these FCM Regulations and the FCM Procedures. The Clearing House shall fulfill its obligations as Seller or Buyer, as the case may be, under the terms of any Physically-Settled FCM Exchange Contract in accordance with FCM Regulation ~~23~~23 and the FCM Procedures.
- (c) Where the terms of an FCM Exchange Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM Exchange Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.

**~~Regulation 26F — FCM Exchange Contracts Subject to Delivery Notice~~**

**REGULATION 22 FCM EXCHANGE CONTRACTS SUBJECT TO DELIVERY NOTICE**

- (a) Without prejudice to the provisions of FCM Regulation ~~26G~~23, under an FCM Exchange Contract Subject to Delivery Notice or a Physically-Settled FCM Exchange Contract:
- (i) the Buyer shall be obliged to pay his buying price to the Clearing House as Seller in the manner and by the time prescribed by Exchange Rules or the FCM Procedures;
  - (ii) the Clearing House as Buyer shall be obliged to pay the Seller his selling price in the manner and by the time prescribed by FCM Regulation ~~23~~23; and
  - (iii) subject to Exchange Rules any compensation, adjusting payment, or other allowance payable by or to either the Buyer or Seller under the terms of the FCM Exchange Contract shall be paid to or by the Clearing House~~;~~;
- (b) Every Delivery Notice and accompanying documents (except documents which, in accordance with Exchange Rules a Buyer is obliged to take up and pay for) given by the Clearing House as Seller to a Buyer pursuant to FCM Regulation ~~26D~~20(c) shall for the purposes of these FCM Regulations be deemed to comply with Exchange Rules unless the Buyer notifies the Clearing House, by 10:00 hours (London time) on the Business Day following the day on which the Delivery Notice and accompanying documents were given to him by the Clearing House in accordance with Exchange Rules or the FCM Procedures, that the Delivery Notice and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10:00 hours (London time) on such Business Day, to notify the Seller to it under the terms of an FCM Exchange Contract from whom it received such Delivery Notice and accompanying documents that such Delivery Notice and accompanying documents do not so comply.
- (c) Notwithstanding that FCM Exchange Contracts may have been settled otherwise under the FCM Rulebook (for example, an FCM Nodal Contract under FCM Regulation ~~63~~57) and not pursuant to a Delivery Notice, a Seller may, with the consent of the Clearing House and by the time specified in the FCM Procedures, give the Clearing House a Delivery Notice in respect of any such FCM Exchange Contract so settled. Upon receipt of such Delivery Notice, the Clearing House shall (unless the FCM Procedures otherwise permit) effect on the FCM Clearing Member's behalf re-opening contracts (that is, a sale by the FCM Clearing Member to the Clearing House and a purchase by the FCM Clearing Member from the Clearing House of one Lot, each on the same terms (including delivery) as the settled FCM Exchange Contract except as to price) and register such re-opening contracts as FCM Exchange Contracts in the FCM Clearing Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the FCM Procedures. The submission of a Delivery Notice in accordance with the FCM Procedures shall constitute confirmation of any such re-opening contracts and the

Seller's Delivery Notice (or Buyer's as the case may be) shall be deemed to have been made pursuant to its sale (or purchase) under the respective re-opening contract.

- (d) Notwithstanding that an FCM Exchange Contract may have been settled otherwise under the FCM Rulebook (for example, an FCM Nodal Contract under FCM Regulation ~~63~~57) and not pursuant to a Delivery Notice, the Clearing House may in accordance with the FCM Procedures give a Delivery Notice to a Buyer under FCM Regulation ~~26D~~20 as if the FCM Exchange Contract were still open and on so doing the Clearing House shall effect on the FCM Clearing Member's behalf re-opening contracts (defined as in paragraph (c) above and to be effected as there described) and register such re-opening contracts as FCM Exchange Contracts in the FCM Clearing Member's name. The receipt by the Buyer of such Delivery Notice shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the FCM Clearing Member's purchase under the respective re-opening contract.

**In implementing this FCM Regulation ~~26F~~22, the Clearing House may effect and register such FCM Exchange Contracts in an FCM Clearing Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the FCM Procedures and at a price determined by the Clearing House in accordance with the FCM Procedures.**~~Regulation 26G—Arrangements for Delivery and Payment of Price (Physically-Settled FCM Exchange Contracts)~~

**REGULATION 23 ARRANGEMENTS FOR DELIVERY AND PAYMENT OF PRICE (PHYSICALLY-SETTLED FCM EXCHANGE CONTRACTS)**

- (a) In respect of its obligations under the terms of any Physically-Settled FCM Exchange Contract as Seller to deliver a commodity to the Buyer or as Buyer to pay the price and any other payments required to be made under the terms of such Physically-Settled FCM Exchange Contract to the Seller, the Clearing House may in its absolute discretion in accordance with the FCM Procedures:
- (i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM Exchange Contract to deliver the commodity the subject matter of such contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a Physically-Settled FCM Exchange Contract as the Clearing House may appoint; and
  - (ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM Exchange Contract to pay the price and any other amounts payable pursuant to such Physically-Settled FCM Exchange Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a Physically-Settled FCM Exchange Contract as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such Buyer or Seller, as the case may be towards, the Clearing House. Each FCM Clearing Member agrees that it will accept delivery of a commodity or, as the case may be, payment of the price, and such other amounts from another FCM Clearing Member (or Non-FCM Clearing Member, if applicable) in accordance with such direction in satisfaction of the obligations owed to it by the Clearing House to make payment of the price or such other amounts or to deliver the commodity under the terms of a Physically-Settled FCM Exchange Contract.

- (b) If an invoice is not ready when payment becomes due, payment shall be made and received on account.
- (c) An FCM Clearing Member may, from time to time, agree in writing with the Clearing House in respect of such FCM Exchange Contracts (as are prescribed in the FCM Procedures) that the FCM Clearing Member shall pay to or receive from the Clearing House in accordance with the FCM Procedures a net amount in respect of the FCM Clearing Member's obligations to make or take delivery (as the case may be) of a commodity where such commodity is a currency and to make or receive payment (as the case may be) of the buying or selling price.
- (d) If a Buyer where permitted by Exchange Rules, rejects the commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the commodity under the terms of an FCM Exchange Contract Subject to Delivery Notice, the Clearing House shall be entitled to reject the same as against the Seller from whom it took delivery of the same under the terms of an FCM Exchange Contract Subject to Delivery Notice, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a Seller which it delivers on to a Buyer until such Buyer

has accepted the commodity.



**Regulation 26H — Restrictions on Clearing House's Obligations and Liability****REGULATION 24 RESTRICTIONS ON CLEARING HOUSE'S OBLIGATIONS AND LIABILITY**

- (a) This FCM Regulation ~~26H~~24 shall apply to Physically-Settled FCM Exchange Contracts (including FCM Exchange Contracts Subject to Delivery Notice) and shall not apply to any Cash-Settled FCM Exchange Contracts or FCM Option Contracts.
- (b) The Clearing House (or any other member of the LCH.Clearnet Group) shall not be liable in respect of a claim made against it in respect of a Physically-Settled FCM Exchange Contract by an FCM Clearing Member concerning:
- (i) a Delivery Notice given by the Clearing House; or
  - (ii) any documents accompanying a Delivery Notice as required by Exchange Rules or the FCM Procedures; or
  - (iii) the performance by the Clearing House of its obligations under an FCM Exchange Contract to make delivery of a commodity or to pay the price; or
  - (iv) any other dispute or matter arising under the terms of such FCM Exchange Contract;

unless the conditions set out in paragraphs (c), (d) and (e) below are satisfied.

- (c) The FCM Clearing Member shall (without prejudice to his taking any other steps which may be required of or open to him under the relevant Exchange Rules or the FCM Procedures) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (London time) (such time to be of the essence) on the seventh Business Day following the day on which, in accordance with the relevant Exchange Rules or the FCM Procedures, documents must be taken up and paid for by the Buyer (whether or not a Buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (London time)(such time to be of the essence) on the seventh Business Day following the last day on which the Buyer, in accordance with the relevant Exchange Rules or the FCM Procedures, must take delivery of the commodity (whether or not the Buyer fulfils such obligation).
- (d) Where the relevant Exchange Rules provide for arbitration, the FCM Clearing Member shall refer all disputes referred to in paragraph (b) above in respect of the FCM Exchange Contract to arbitration under the relevant Exchange Rules, and shall give to the Clearing House notice of such referral pursuant to Exchange Rules and details of any award made.

**The FCM Clearing Member shall promptly provide the Clearing House with such further particulars of its claim, as the Clearing House may from time to time require in writing.**~~Regulation 26I — Arbitration: FCM Exchange Contracts~~

**REGULATION 25 ARBITRATION: FCM EXCHANGE CONTRACTS**

- (a) In this FCM Regulation ~~26~~25, “*Relevant Rules*” means the relevant Exchange Rules.
- (b) A dispute arising from or in relation to any FCM Exchange Contract or in relation to these FCM Regulations relating to the clearing of FCM Exchange Contracts shall, unless resolved between the Clearing House and the FCM Clearing Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon an FCM Clearing Member who is a Buyer and an FCM Clearing Member who is a Seller, under the terms of such FCM Exchange Contracts which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.
- (c) In the event that the Clearing House elects to arbitrate between a Seller and a Buyer pursuant to FCM Regulation ~~26~~25(b) above and the Relevant Rules, the following procedures shall apply:
- (i) the Clearing House shall give notice of such election to the Buyer, the Seller and the relevant Exchange, in accordance with such Relevant Rules;
  - (ii) the Seller shall, at its own expense have the conduct of the Clearing House’s case against the Buyer, and the Buyer shall, at its own expense have the conduct of the Clearing House’s claim against the Seller, in either case, subject to the provisions of this FCM Regulation ~~26~~25;
  - (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the Seller and the Buyer;
  - (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
  - (v) the arbitrators shall issue two awards, one between the Seller and the Clearing House and one between the Buyer and the Clearing House which shall determine the rights of each of the Seller and the Buyer against the Clearing House and vice versa.
- (d) If the Clearing House is found liable to one of the parties to the arbitration (“the first party”) in respect of a breach of an FCM Exchange Contract and the other party to the arbitration (“the second party”) is found liable to the Clearing House in respect of such breach of an FCM Exchange Contract, which has been matched by the Clearing House as referred to in paragraph (a) above, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

- (e) The Clearing House shall be bound by an arbitration award made against it in pursuance of an, arbitration whether it participates directly in the arbitration or not.
- (f) No person may refer to arbitration under Exchange Rules any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.

~~Regulation 26J Cover in Event of a Claim~~

**REGULATION 26 COLLATERAL IN EVENT OF CLAIM**

If notice of claim and notice of intention to refer a dispute to arbitration is given to the Clearing House pursuant to Exchange Rules or FCM ~~Regulations 26H~~Regulation 24 and ~~26I~~FCM Regulation 25 in respect of an FCM Exchange Contract, any or all ~~cover~~Collateral standing to the credit of the accounts of an FCM Clearing Member who is party to one or more FCM Exchange Contracts under dispute (whether such ~~cover~~Collateral is held with respect to an FCM Exchange Contract under dispute or otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time call for payment by such FCM Clearing Member of additional ~~cover~~Collateral, in such amount as it may deem appropriate in respect of such FCM Exchange Contract(s), to be held by the Clearing House under these FCM Regulations until the claim is finally disposed of. The amount of such ~~cover~~Collateral to be furnished by the FCM Clearing Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant.~~Regulation 26K—Default of a Member: Substituted Obligation~~

**REGULATION 27 DEFAULT OF A MEMBER: SUBSTITUTED OBLIGATION**

Where an FCM Clearing Member defaults in performance of an FCM Exchange Contract Subject to Delivery Notice, and by the operation of Default Rules the FCM Clearing Member's rights and liabilities in respect of such performance are discharged and there arises in their place an obligation to account as between the Member and the Clearing House for a settlement amount, then the Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof pro rata, for its rights and liabilities in respect of performance of FCM Exchange Contracts Subject to Delivery Notice with one or more other FCM Clearing Members or Non-FCM Clearing Members, as the case may be (such FCM Exchange Contract and such other FCM Clearing Members or Non-FCM Clearing Members to be selected by the Clearing House in its absolute discretion) for the same commodity and Delivery Month or Prompt Date. No FCM Clearing Member or Non-FCM Clearing Member shall question the settlement amount or any determination made by the Clearing House under this FCM Regulation ~~26K.27.~~

~~Regulation 26L——Premium Under Option Contracts~~

**REGULATION 28 PREMIUM UNDER OPTION CONTRACTS**

- (a) The Premium payable by a Buyer under the terms of an FCM Option Contract shall be paid by the Buyer to the Clearing House in the form and manner prescribed in the FCM Procedures and by the time specified in the relevant Exchange Rules or the FCM Procedures.
- (b) The Clearing House shall pay to a Seller under the terms of an FCM Option Contract the Premium in accordance with the FCM Procedures and by the time specified in the relevant Exchange Rules or the FCM Procedures.

**CHAPTER VII - DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE MAJEURE****REGULATION 29 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY**

- (a) Paragraph (c) of this FCM Regulation 29 shall not apply to FCM Option Contracts.
- (b) In relation to FCM Exchange Contracts, if an Exchange Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Exchange Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to FCM Contracts which are not FCM Exchange Contracts, determines that one of the following conditions is satisfied, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or
  - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or
  - (iii) the EU or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;
- then:
- (iv) in respect of such FCM Contracts which are not FCM Exchange Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 31 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM Contracts; and
  - (v) such FCM Exchange Contracts for such Delivery Months, Prompt Dates or other delivery periods as the Exchange Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Exchange Board) as the Clearing House shall specify (which may include FCM Exchange Contracts under which Delivery Notice or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Exchange Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with FCM Regulation 31 and the FCM Procedures at a price determined by the Exchange Board (or the



Clearing House as the case may be). In the event that a price fails to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Exchange Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House in accordance with the FCM Procedures for each FCM Clearing Member who is a party to FCM Contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such FCM Contracts invoiced back notwithstanding any further change of circumstances.

- (c) If, in the opinion of the Clearing House after consultation with the relevant Exchange Board, a Seller's complete performance of an FCM Exchange Contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected FCM Exchange Contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Exchange Board, and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures.
- (d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more FCM Exchange Contracts for such commodity in an FCM Clearing Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.
- (e) Any formal announcement made under this FCM Regulation shall be made by notice posted by the Exchange or the Clearing House (or by other means as determined by the Clearing House) or as prescribed by the FCM Procedures.

**REGULATION 30 FORCE MAJEURE**

- (a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 29(b)(i), Regulation 29(b)(ii) or Regulation 29(b)(iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules or the rules of an FCM Approved Trade Source System.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other:
- (i) in respect of affected FCM Exchange Contracts or FCM Contracts subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or the rules of a relevant FCM Approved Trade Source System or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with FCM Regulation 31, some or all such FCM Exchange Contracts or such FCM Contracts in the FCM Clearing Member's name at a price determined by the relevant Exchange or FCM Approved Trade Source System, or where Exchange Rules or the rules of an FCM Approved Trade Source System permit, to take such other action as it deems necessary or desirable in respect of some or all such FCM Exchange Contracts or FCM Contracts in the FCM Clearing Member's name or require the FCM Clearing Member to take such action as the Clearing House may direct in respect of the same; and
- (ii) in respect of affected FCM Contracts that are not FCM Exchange Contracts or subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled to require any of the affected FCM Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with FCM Regulation 31, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM Contracts.

## CHAPTER VIII - INVOICING BACK AND CURRENCY CONVERSION

### REGULATION 31 - INVOICING BACK

- (a) Invoicing back of an FCM Clearing Member's FCM Contracts, pursuant to FCM Regulation 29, FCM Regulation 30 the Default Rules (in the case of FCM Exchange Contracts) or otherwise, shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of FCM Contracts in their names for the same commodity and Delivery Month or Prompt Date as the FCM Contracts invoiced back under paragraph (a) above to the nearest whole number of Lots, or in the case of FCM Option Contracts on the terms of the relevant underlying contracts specified in the FCM Procedures (if applicable), for the same Expiry Month and Strike Price as the FCM Contracts invoiced back under paragraph (a) above, or in the case of FCM Contracts that are not FCM Exchange Contracts on the same FCM Contract Terms as the FCM Contracts invoiced back under paragraph (a) above, and thereupon settling such FCM Contracts against such opposite contracts.
- (c) Where Open Contracts are invoiced back pursuant to FCM Regulation 29 or FCM Regulation 30 the Clearing House shall credit or debit (as the case may be) the FCM Clearing Member's accounts affected by such invoicing back in accordance with FCM Regulation 29 or FCM Regulation 30, as applicable. Where an FCM Contract is invoiced back under the Default Rules, the account of such other FCM Clearing Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.
- (d) Opposite FCM Contracts effected and registered by the Clearing House pursuant to paragraph (a) and (b) above shall, subject to FCM Regulation 29, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back or, in the case of FCM Exchange Contracts, at a price or (where applicable) Premium fixed or determined by the relevant Exchange Board. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.
- (e) In this FCM Regulation 31:
- (i) “net position” means: (A) in respect of FCM Contracts in a Product for which there are Economic Terms (as set forth in the definition of “Economic Terms” in these FCM Regulations), one or more of such FCM Contracts against which the FCM Clearing Member in whose name they are registered

has no matching FCM Contracts on the same Economic Terms and (B) in respect of FCM Contracts in all other Products not specified in (A) above, one or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts for the same Delivery Month, Expiry Month or Prompt Date; and

- (ii) “opposite contract” means an FCM Contract on the same terms (except as to price), as the FCM Contract to be invoiced back in accordance with this FCM Regulation 31, but where an FCM Clearing Member has position “X” in respect of an FCM Contract to be invoiced back (where such FCM Contract consists of positions “X” and “Y”), such FCM Clearing Member shall have position “Y” in respect of the opposite contract and vice versa.

**REGULATION 32 CURRENCY CONVERSION**

The Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of an FCM Clearing Member's accounts (including FCM Client Segregated Depository Accounts and FCM Omnibus Client Accounts with LCH) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the FCM Procedures.

## CHAPTER IX - DISCLOSURE, FEES, RECORDS AND AMENDMENTS

### REGULATION 33 DISCLOSURE AND REPORTING

- (a) The Clearing House shall have authority to, on an ongoing basis in the ordinary course of business, supply any information whatsoever concerning an FCM Clearing Member and its trading to:
- (i) an Exchange or an exchange with whom the Clearing House has entered into an agreement pursuant to which the parties have agreed to exchange information as required or contemplated by Exchange Rules,
  - (ii) any Regulatory Body which is entitled to receive or request any such details or information,
  - (iii) a member of the LCH.Clearent Group,
  - (iv) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same,
  - (v) any other person or body to which the Clearing House has agreed to provide such information (including any clearing house, exchange or execution facility or FCM Approved Trade Source System with which the Clearing House has an agreement, and including pursuant to Section 8 (Disciplinary Procedures) of the FCM Procedures),
  - (vi) a trade or data repository (including a swap data repository) on an ongoing basis in the ordinary course of business, or
  - (vii) any securities depository or securities settlement system.
- (b) The Clearing House shall also be entitled to supply any information whatsoever concerning an FCM Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.

**REGULATION 34 FEES AND OTHER CHARGES**

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such FCM Clearing Members, by such times, and in such manner as may be prescribed by the FCM Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to FCM Regulation 14(f) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.



**REGULATION 35 RECORDS**

An FCM Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to FCM Regulation 11, FCM Regulation 12, and FCM Regulation 13 or any other provision of these FCM Regulations. Notwithstanding any provision in the FCM Clearing Membership Agreement, the FCM Rulebook or any other agreement or contract to which the Clearing House is a party, the Clearing House shall maintain all records (including all information on FCM Transactions and FCM Contracts it has processed) for a period of at least ten years or as otherwise required by applicable law.

**REGULATION 36 ALTERATION OF FCM REGULATIONS AND THE FCM PROCEDURES**

- (a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment, alteration or extension, the Rules Change Committee (acting in accordance with its terms of reference) may from time to time, by notice delivered by the Clearing House to Exchanges and FCM Clearing Members, amend, alter or extend these FCM Regulations.
- (b) Any such amendments, alterations or extensions may be made with immediate effect or with such deferred effect as the Rules Change Committee shall determine. Any amendments, alterations or extensions to these FCM Regulations may take effect so as to apply to FCM Contracts registered in an FCM Clearing Member's name at the time such amendments, alterations or extensions come into effect if the Rules Change Committee so determines.
- (c) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures specifically provide otherwise in relation to any proposed amendments, alterations or extensions, the Rules Change Committee may from time to time amend, alter or extend the FCM Procedures by notice delivered to such Exchanges and FCM Clearing Members as may be affected.
- (d) The accidental omission to give notice under this FCM Regulation 36 to, or the non-receipt of notice under this FCM Regulation 36 by, any Exchange or FCM Clearing Member shall not invalidate the amendment, alteration or extension with which the notice is concerned.

## CHAPTER X - NETTING AND DISTRIBUTION

### REGULATION 37 NETTING

- (a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a Defaulter, under an FCM Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a Defaulter, may exercise the right given to it under paragraph (c) below.
- (c) An FCM Clearing Member entitled to exercise rights under this paragraph may, at any time while any of the circumstances referred to in paragraph (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all FCM Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM Contract between them which would, but for this FCM Regulation 37, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
- (ii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each FCM Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United States or the currency of the relevant FCM Contract where agreed by the Clearing House and the FCM Clearing Member (the “Base Currency”), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment which would otherwise have been required to be made under such FCM Contract; and
- (iii) the FCM Clearing Member shall treat each loss to it, determined as above, as a positive amount and each gain by it, so determined, as a negative amount and, subject to paragraph (iv) below, shall aggregate all of such amounts to produce

a single, net positive or negative amount, denominated in the Base Currency (the “Termination Amount”).

(iv) Where an FCM Clearing Member has a Proprietary Account and one or more FCM Omnibus Client Accounts with LCH:

(A) the FCM Clearing Member shall determine a number of net amounts under paragraph (d)(iii) as applicable: (1) separate net amounts in respect of gains and losses arising on FCM Contracts registered to each FCM Client Sub-Account carried by such FCM Clearing Member (i.e., on an FCM Client by FCM Client basis with respect to Swaps Products); (2) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH on a combined basis; and (3) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's Proprietary Accounts on a combined basis; and

(B) each of the net amounts determined under paragraph (iv)(A) above shall constitute Termination Amounts.

(v) If a Termination Amount determined pursuant to paragraph (d)(iv) above is a positive amount, the Clearing House shall pay it to the FCM Clearing Member and if any such Termination Amount is a negative amount, the FCM Clearing Member shall pay it to the Clearing House, in either case in accordance with paragraph (vi). The FCM Clearing Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.

(vi) A Termination Amount shall, subject to FCM Regulation 38, be paid in the Base Currency by the close of business on the Business Day following notification pursuant to paragraph (v) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the FCM Clearing Member may select) plus 1% per annum, for each day for which any such sum remains unpaid.

(vii) For the purposes of any calculation required to be made under this FCM Regulation 37, the FCM Clearing Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The FCM Clearing Member's rights under this FCM Regulation 37 shall be in addition to, and not in limitation or exclusion of, any other rights which the FCM Clearing Member may have (whether by agreement, operation of law or otherwise, including its rights under FCM Regulation 9(i)).

- (e) If an FCM Clearing Member is a Defaulter and either:
- (i) no default management process has been commenced by the Clearing House in respect of such FCM Clearing Member within 3 business days following a Default Notice being issued in respect of that FCM Clearing Member; or
  - (ii) such default management process has been commenced within such period but that FCM Clearing Member determines (acting reasonably) that the relevant default management process is unlikely to be completed.
- then, provided that an event or circumstance as described in paragraph (a) or (b) above has also occurred, the relevant Member shall be entitled to exercise the rights provided under paragraph (c) above notwithstanding that it is a Defaulter.
- (f) Interpretation in Relation to FDICIA. The Clearing House and each FCM Clearing Member intend that certain provisions of the FCM Rulebook (including this FCM Regulation 37) be interpreted in relation to certain terms that are defined in FDICIA, as follows:
- (i) The Clearing House is a “clearing organization”.
  - (ii) An obligation of an FCM Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to an FCM Clearing Member, subject to a netting contract, is a “covered clearing obligation” and a “covered contractual payment obligation”.
  - (iii) An entitlement of an FCM Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from an FCM Clearing Member, subject to a netting contract, is a “covered contractual payment entitlement”.
  - (iv) The Clearing House is a “member”, and each FCM Clearing Member is a “member”.
  - (v) The amount by which the covered contractual payment entitlements of an FCM Clearing Member or the Clearing House exceed the covered contractual payment obligations of such Clearing Member or the Clearing House after netting under a netting contract is its “net entitlement”.
  - (vi) The amount by which the covered contractual payment obligations of an FCM Clearing Member or the Clearing House exceed the covered contractual payment entitlements of such Clearing Member or the Clearing House after netting under a netting contract is its “net obligation”.
  - (vii) The FCM Regulations and the FCM Procedures, including this Regulation 37, constitute a “netting contract”.
  - (viii) The provisions of this Regulation and the FCM Procedures providing for the use and liquidation of Collateral, including Regulation 37 each constitute a “security agreement of arrangement or other credit

enhancement related to one or more netting contracts between any 2 members of a clearing organization”.

- (ix) For purposes of this Regulation 37, the term “payment” means “a payment of United States dollars, another currency, or a composite currency, and a noncash delivery, including a payment or delivery to liquidate an unmatured obligation”.

**REGULATION 38 DISTRIBUTION OF ASSETS**

- (a) Where (after the netting and set-off provided for in FCM Regulation 37 and FCM Regulation 9(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation 37 and General Regulation 45 (under the UK General Regulations)) in full, the claims of the Clearing Members shall be met first to those Clearing Members who are FCM Clearing Members and SwapClear Clearing Members and/or ForexClear Clearing Members in an amount equal to the outstanding SwapClear Contributions of such FCM Clearing Members and SwapClear Clearing Members and/or the outstanding ForexClear Contributions of such FCM Clearing Members and ForexClear Clearing Members (as applicable) and, thereafter, *pro rata* to each Clearing Member's respective claim (and in respect of FCM Clearing Members and SwapClear Clearing Members who have received an amount relating to their outstanding SwapClear Contributions, their respective claims shall be reduced by such amounts so received; and in respect of FCM Clearing Members and ForexClear Clearing Members who have received an amount relating to their outstanding ForexClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member the amount equal to its outstanding SwapClear Contribution and/or its outstanding ForexClear Contribution (as applicable), the Clearing House shall distribute the assets available to it to each such FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member (as applicable) in an amount equal to the proportion that the outstanding SwapClear Contribution of the relevant FCM Clearing Member or SwapClear Clearing Member and/or the outstanding ForexClear Contribution of the relevant FCM Clearing Member or ForexClear Clearing Members bears to the aggregate of: (i) the sum of the outstanding SwapClear Contributions of all relevant FCM Clearing Members and SwapClear Clearing Members and (ii) the sum of the outstanding ForexClear Contributions of all relevant FCM Clearing Members and ForexClear Clearing Members.
- (b) Notwithstanding anything to the contrary in these FCM Regulations or the FCM Rulebook, this FCM Regulation 38 shall be governed by and construed in accordance with the governing law provided for in paragraph (a) of General Regulation 51 (under the UK General Regulations).
- (c) For the purposes of this FCM Regulation 38, the term "Clearing Member" shall include FCM Clearing Members and all other Clearing Members (as defined in the UK General Regulations) of the Clearing House.



CHAPTER XI - MISCELLANEOUS

REGULATION 39 FCM PROCEDURES

The FCM Procedures shall take effect and shall be binding on FCM Clearing Members as if they formed part of these FCM Regulations save that, in the event of any conflict between the provisions of these FCM Regulations and the FCM Procedures, the provisions of these FCM Regulations shall prevail.

**REGULATION 40 INTERPRETATION OF THESE FCM REGULATIONS**

- (a) In the event of inconsistency between the provisions of these FCM Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these FCM Regulations shall prevail.
- (b) The headings to these FCM Regulations are for convenience only and shall not affect their interpretation.

**REGULATION 41 WAIVER**

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these FCM Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

**REGULATION 42 VALIDITY OF FCM REGULATIONS AND ACTION**

If at any time any provision of these FCM Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these FCM Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

**REGULATION 43 GOVERNING LAW AND JURISDICTION**

- (a) These FCM Regulations, the FCM Procedures and each FCM Contract shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and IN ACCORDANCE WITH the laws of the United States of America, including the CEA and applicable bankruptcy and insolvency laws.
- (b) The Other Specific Regulations shall be governed by and construed in accordance with the laws of England and Wales.
- (c) The Clearing House and every FCM Clearing Member hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any FCM Contract, these FCM Regulations, the FCM Procedures or to the Other Specific Regulations (in the case of the Other Specific Regulations, only with respect to a claim or matter arising from or in relation to an FCM Contract, FCM Clearing Services or these FCM Regulations), and each FCM Clearing Member irrevocably submits to such jurisdiction and waives any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) The Clearing House and each FCM Clearing Member hereby irrevocably waives any right to a trial by jury in any litigation directly or indirectly arising out of or relating to any FCM Contract, the FCM Procedures, the Other Specific Regulations or to these FCM Regulations.
- (e) Each FCM Clearing Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment) and execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

## REGULATION 44 EXCLUSION OF LIABILITY

Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM Contract, the terms of such FCM Contract or whether any alleged agreement or arrangement constitutes an FCM Contract. ~~Regulation 27 — Solvency Threatening Treasury Default Loss~~

- (a) The Clearing House shall not be liable for any obligations of or to a person who is not an FCM Clearing Member (including an FCM Client of an FCM Clearing Member), nor any obligations of an FCM Clearing Member to another FCM Clearing Member who is acting as a broker for the first FCM Clearing Member, nor shall the Clearing House become liable to make deliveries or accept deliveries from an FCM Client of an FCM Clearing Member.
- (b) Without prejudice to the provisions of FCM Regulation 2 and FCM Regulation 44(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall be liable whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of ANY NATURE whatsoever suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulation 29, Regulation 30, Regulation 46 or Regulation 49(e) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (c) Without prejudice to FCM Regulation 44(c) and FCM Regulation 44(e), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall be liable under any circumstances (including as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (d) Nothing in this FCM Regulation 44 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or willful default on the part of the Clearing House. The Clearing House accepts liability for

any personal injury or death caused by the negligence of the Clearing House and for any fraud or willful default on the part of the Clearing House.

(e) Without prejudice to the provisions of FCM Regulation 2 and FCM Regulation 44(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any FCM Clearing Member or to any other person (including any FCM Client) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology.

(f) Without prejudice to FCM Regulation 1 and FCM Regulation 44(d), neither the Clearing House, nor any other member of the LCH.Clearnet Group, shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.



**REGULATION 45 SOLVENCY THREATENING TREASURY DEFAULT LOSS**

(a) In this FCM Regulation:

“**Calculation Period**” means, in respect of a type of Business, a period of the number of days specified in the “Combined Loss Value” calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms “Business”, “Combined Loss Value” and “Fund Amount” have the meanings set out in the Default Fund Rules);

“**Margin Weight**” means:

(i) the aggregate of an FCM Clearing Member’s total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the FCM Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 2745(b) below;

divided by

(ii) the total average margin requirement of all FCM Clearing Members and “Clearing Members” under the UK General Regulations during the same period; and

“**Treasury Default**” means, in connection with the Clearing House’s treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a “**Solvency Threatening Treasury Default Loss**”.

(c) The Clearing House will, in respect of each FCM Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that FCM Clearing Member based on that FCM Clearing Member’s Margin Weight (an “**Allocated Loss**”). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each FCM Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that FCM Clearing Member’s Margin Weight. For the

purpose of the calculation of Margin Weight, the margin requirements for any FCM Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.

- (e) Each FCM Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that FCM Clearing Member's Proprietary Account.
- (f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a FCM Clearing Member and may in no circumstances be challenged or called into question.
- (g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each FCM Clearing Member and each "Clearing Member" under the UK General Regulations in respect of that Treasury Default by crediting the relevant FCM Clearing Member's Proprietary Account. Nothing in this Regulation [2745](#)(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

~~Regulations 28-29: [Reserved]~~



## CHAPTER XII - FCM SWAPCLEAR REGULATIONS

### ~~PART II—REGULATIONS APPLICABLE TO FCM SWAPCLEAR~~ CONTRACTSREGISTRATION OF FCM SWAPCLEAR CONTRACTS; NOVATION AND POST-NOVATION COMPRESSION; SWAPCLEAR ACCOUNTS

#### ~~Regulation 30—Registration of FCM SwapClear Contracts; Novation and Post- Novation Compression; SwapClear Accounts~~

- (a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear 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 SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear 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.
- (b) Where an Executing Party enters into an FCM SwapClear Transaction and such FCM SwapClear Transaction is to be cleared through an FCM Clearing Member, the Clearing House shall (only where such FCM SwapClear Transaction is not an FCM US Trading Venue Transaction) notify the FCM Clearing Member of such FCM SwapClear Transaction and request acceptance for registration in accordance with the FCM Procedures. Upon (i) receipt of acceptance for registration by the Clearing House from the FCM Clearing Member (where such FCM SwapClear Transaction is not an FCM US Trading Venue Transaction), and (ii) receipt of the FCM SwapClear Transaction details by the Clearing House in accordance with the FCM Procedures (where such FCM SwapClear Transaction is an FCM US Trading Venue Transaction), the FCM Clearing Member shall be deemed to have presented the FCM SwapClear Transaction to the Clearing House (and such presentation may not be withdrawn by the FCM Clearing Member unless otherwise provided in the FCM Rulebook) and the Clearing House shall register the FCM SwapClear Transaction subject to, and in accordance, with these FCM Regulations and the FCM Procedures.
- (c) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation ~~30,46~~, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name on behalf of an FCM Client ~~or an Affiliate~~.
- (d) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations and the FCM Procedures as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations), **provided that:**
- (i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;

- (ii) the relevant FCM SwapClear Transaction meets the FCM SwapClear Product Eligibility Criteria prescribed in the FCM ~~Rulebook~~[Product Specific Contract Terms and Eligibility Criteria Manual](#) at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
- (iii) each FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction is consented to by the relevant FCM Clearing Member in accordance with paragraph (b) above and Section ~~2A.3.22.1.3~~ of the FCM Procedures;
- (iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation [914](#) and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM SwapClear Contract prior to registration (taking into account any available SwapClear Tolerance, if any); provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM SwapClear Contract unless such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Block IRS Trade; and
- (v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction- have been satisfied.

If for any reason in respect of an FCM SwapClear Contract the other corresponding FCM SwapClear Contract or Non-FCM SwapClear Contract (as the case may be) is not registered by the Clearing House, the Clearing House shall de-register such FCM SwapClear Contract and shall not have any liability whatsoever to any FCM Clearing Member or to any other person (including any SwapClear Dealer (as such term is defined in the UK General Regulations)) in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of such de-registration.

- (e) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation ~~3046~~ in the name of an FCM Clearing Member on behalf of an FCM Client ~~or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf)~~, at the time prescribed in the FCM Procedures (“**Registration Time**”). At the Registration Time, the FCM Clearing Member, and the FCM Client ~~or Affiliate~~ if applicable, will be deemed to be bound by the relevant FCM SwapClear 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 ~~or Affiliate~~, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and [of Schedule A hereto](#) [to the FCM Product Specific Contract Terms and Eligibility Criteria Manual](#).
- (f) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details

were presented for registration did not, at the Registration Time, meet the FCM SwapClear Product Eligibility Criteria in existence at the Registration Time (an “**Ineligible FCM SwapClear Transaction**”), the Clearing House shall, immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this paragraph (any such FCM SwapClear Contract, an “**Ineligible FCM SwapClear Contract**”): (i) the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including Variation Margin) (if any) paid by the Clearing House or by an FCM Clearing Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the ~~relevant margin run~~time when such Ineligible FCM SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation ~~2444~~ and its obligations under this FCM Regulation ~~30,46~~, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an Ineligible FCM SwapClear Contract.

- (g) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with Margin as a condition of registration of such FCM SwapClear Contract(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation ~~4014~~ and such other applicable provisions in the FCM Rulebook.
- (h) Notwithstanding anything to the contrary in ~~this~~the FCM Rulebook, the Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, **provided that** the Clearing House may (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, subject to paragraph (d) above and without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including the furnishing of additional Margin by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.

- (i) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one Non-FCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the Non-FCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or
  - (ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

In each of the foregoing cases, to the extent the FCM SwapClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client ~~or Affiliate~~, each FCM Clearing Member will be the agent of its FCM Client ~~or Affiliate~~, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM SwapClear Contract cleared on behalf of its FCM Client ~~or Affiliate~~.

- (j) With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation ~~3046~~3046(i) above:
- (i) such FCM SwapClear Transaction shall be extinguished and replaced by the corresponding FCM SwapClear Contracts (or if applicable, the corresponding FCM SwapClear Contract and Non-FCM SwapClear Contract), and the parties to such FCM SwapClear Transaction shall be released and discharged from all rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;
  - (ii) each FCM SwapClear Contract registered under FCM Regulation ~~3046~~3046(i) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
  - (iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same



obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and

- (iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

In subparagraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM SwapClear Transaction (it being assumed, for this purpose, that such FCM SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (k) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation ~~3046~~ or any other applicable provision of the FCM Rulebook.
- (l) In the case of an FCM SwapClear 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 ~~3046~~ shall take effect.

~~(m) — An FCM Clearing Member approved to provide FCM SwapClear Clearing Services may provide FCM SwapClear Clearing Services in connection with FCM SwapClear Contracts or FCM SwapClear Transactions to any of its Affiliates. Such FCM SwapClear Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.~~

- (m) ~~(n)~~ **Compression.** Notwithstanding any other provision of these FCM Regulations, if one or more FCM SwapClear 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 SwapClear Contracts previously registered for the account of such FCM Clearing Member, and all such FCM SwapClear Contracts are either (i) registered on the FCM Clearing Member's own behalf, or (ii) registered on behalf of the same FCM Client ~~or (iii) registered on behalf of the same Affiliate~~, the FCM Clearing Member may request that the Clearing House compress and combine all such FCM SwapClear Contracts by terminating the relevant existing FCM SwapClear Contracts and compressing them into one FCM SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of the original FCM SwapClear Contracts. For purposes of

this FCM Regulation ~~3046~~(em), two or more FCM SwapClear 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 fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more FCM SwapClear Contracts that are compressed under the terms of this FCM Regulation ~~3046~~(am) shall be aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client-~~or-Affiliate~~ is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the FCM SwapClear Contract that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed FCM SwapClear Contracts. Two or more FCM SwapClear Contracts that are compressed under the terms of this Regulation ~~3046~~(am) shall be netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client-~~or-Affiliate~~ is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the FCM SwapClear Contract (if any) that replaces the compressed FCM SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed FCM SwapClear Contracts, and **provided that** in the event that the net notional amount is equal to zero such compression shall result in no replacement FCM SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such FCM SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the FCM SwapClear Contract(s) (if any) that replaces the compressed FCM SwapClear Contracts, and such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of FCM SwapClear Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

- (n) ~~(e)~~ **SwapClear Accounts.** All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or to reflect any Margin other than in connection with FCM SwapClear Contracts.
- (o) ~~(p)~~ **Unallocated FCM SwapClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of an Account Manager Executing Party in accordance with the following provisions:
- (i) An FCM SwapClear Transaction executed by or on behalf of an Account Manager Executing Party and subject to post-registration allocation (such transaction, an “**Unallocated FCM SwapClear Transaction**”) shall be notified to the Clearing House as such at the time it is submitted or presented to the Clearing House.

- (ii) The FCM SwapClear Contract registered on behalf of an Account Manager Executing Party that results from an Unallocated FCM SwapClear Transaction (an “**Unallocated FCM SwapClear Contract**”) shall be registered in a suspense sub-account of the applicable FCM Clearing Member’s FCM Omnibus SwapClear Client Account with LCH (such sub-account, the “**SwapClear Suspension Sub-Account**”).
- (iii) Following registration of an Unallocated FCM SwapClear Contract, the applicable FCM Clearing Member must notify the Clearing House (the “**Allocation Notice**”), prior to the close of the clearing of FCM SwapClear Contracts on the Business Day in which the Unallocated FCM SwapClear Contract was registered, of the applicable FCM Client Sub-Accounts to which portions of the Unallocated FCM SwapClear Contract should be allocated and the applicable portions of the Unallocated FCM SwapClear Contract to be allocated to each such FCM Client Sub-Account. The Allocation Notice must provide for the allocation of the full notional amount of the Unallocated FCM SwapClear Contract. The Allocation Notice is delivered through Markitwire, the SwapClear API and/or such other means as may be approved by the Clearing House and notified to FCM Clearing Members.
- (iv) Following receipt of an Allocation Notice, the Clearing House shall:
  - (A) close out the outstanding Unallocated FCM SwapClear Contract and simultaneously register two or more (as applicable) FCM SwapClear Contracts to the same SwapClear Suspension Sub-Account, which such newly registered FCM SwapClear Contracts shall have the same Economic Terms as the Unallocated FCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated FCM SwapClear Contract); and
  - (B) following the actions described in paragraph (A) above, transfer each of the newly registered FCM SwapClear Contracts resulting from the cancellation of the Unallocated FCM SwapClear Contract to the applicable FCM Client Sub-Accounts in accordance with the Allocation Notice.

Where an Allocation Notice directs the entire notional amount of an Unallocated FCM SwapClear Contract to be allocated to a single FCM Client Sub-Account, then the Clearing House shall not take the steps described above in this paragraph (iv) and shall instead transfer the Unallocated FCM SwapClear Contract to the applicable FCM Client Sub-Account following receipt of the Allocation Notice. In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the SwapClear Suspension Sub-Account.

By delivering an Allocation Notice to the Clearing House, the FCM Clearing Member shall be deemed to have instructed the Clearing House to take the steps referred to in this paragraph (iv).

- (v) The allocation of Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook, including the furnishing by the applicable FCM Clearing Member of adequate Margin, at or prior to the submission of the Allocating Notice, in respect of each of the applicable FCM Client Sub-Accounts to which an Unallocated FCM SwapClear Contract is to be allocated. If adequate Margin is not so furnished in respect of each such FCM Client Sub-Account, the Clearing House may, in its sole discretion, delay the allocation and transfer of all or any portions of the Unallocated FCM SwapClear Contract and may take any other actions permitted under the FCM Rulebook.
- (vi) An FCM Clearing Member that submits and clears Unallocated FCM SwapClear Transactions must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulation 1.35 and CFTC Regulation 1.73) and all other applicable law, and shall be responsible for ensuring that Account Manager Executing Parties clearing through it shall be in compliance therewith. Upon an FCM Clearing Member executing an Unallocated FCM SwapClear Transaction and upon delivering an Allocation Notice, such FCM Clearing Member is deemed to represent to the Clearing House that such transaction and allocation are in accordance with properly authorized instructions and are in compliance with applicable CFTC Regulations and other applicable law.

#### **Regulation 31 — Daily Marking to Market**

- ~~(a) — The Clearing House shall, in accordance with the FCM Procedures, in respect of each FCM SwapClear Contract in an FCM Clearing Member's name, mark each such Open Contract against the price determined by the Clearing House to be the current Settlement Price of such contract to be used for marking to market purposes.~~
- ~~(b) — The Clearing House shall, upon completion of the procedure set out in paragraph (a) above, calculate the daily mark-to-market amounts in accordance with the FCM Procedures and shall thereafter determine the status of the FCM Clearing Member's accounts.~~
- ~~(c) — For the avoidance of doubt, the completion of the calculation and settlement of daily marked-to-market amounts pursuant to paragraph (b) above by the Clearing House shall not affect the validity of any Open Contracts, which shall remain in effect as Open Contracts in all respects.~~

## REGULATION 46 COLLATERALIZATION OF FCM SWAPCLEAR CONTRACTS

- (a) ~~(d)~~ The net present value of each FCM SwapClear Contract shall be calculated for the purposes of collateralization by the Clearing House ~~in accordance with paragraphs (a) and (b) of this FCM Regulation 31,~~ in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question. ~~The Clearing House shall, at least daily, receive payment from, or pay to, the FCM Clearing Member cash for Variation Margin, representing the change in the net present value of such FCM Clearing Member's portfolio of FCM SwapClear Contracts from the preceding Business Day, in accordance with the FCM Procedures.~~
- (b) The Clearing House shall, at least daily, call on the FCM Clearing Member to transfer to it cash in respect of such FCM Clearing Member's Variation Margin obligations, representing the change in the net present value of the FCM SwapClear Contracts registered in such FCM Clearing Member's name. Cash Margin received by the Clearing House in respect of such payment obligations shall be applied to discharge the obligation of the FCM Clearing Member to the Clearing House on the termination of the relevant FCM SwapClear Contracts.
- (c) If the value of any FCM SwapClear Contract changes such that the amount of cash Margin payable by an FCM Clearing Member under paragraph (b) of this FCM Regulation 47 exceeds the obligation to which it relates, an amount shall become payable from the Clearing House to the FCM Clearing Member equal to the excess.
- (d) Any payment made by the Clearing House to the FCM Clearing Member in respect of a change in the value of an FCM SwapClear Contract shall be treated as being applied to discharge amounts due to the FCM Clearing Member by the Clearing House under that FCM SwapClear Contract on the termination of that FCM SwapClear Contract.
- (e) ~~Netting of Coupon Payments with respect to FCM SwapClear Contracts.~~ In respect of ~~a portfolio of such~~ FCM SwapClear Contracts ~~and each payment date for Coupon Payments (in accordance with the FCM Procedures),~~ on every Business Day, the Clearing House shall ~~net:~~ aggregate:
- (i) the sums which would otherwise have been payable by the FCM Clearing Member to the Clearing House as cash (in respect of Variation Margin) on such date and ~~the any~~ any Coupon Payments due on that date; and
  - (ii) the sums which would otherwise have been payable by the Clearing House to the FCM Clearing Member as cash (in respect of Variation Margin) on such date and ~~the any~~ any Coupon Payments due on that date,

and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, then the obligations of each party under this FCM Regulation ~~34~~47 shall be

automatically satisfied and discharged on payment by the ~~applicable~~ party by whom the larger amount would have been payable to the other party of the excess of the larger aggregate amount over the smaller aggregate amount. All netting pursuant to this FCM Regulation 47 in respect of ~~an~~ an FCM Clearing Member's portfolio of FCM SwapClear Contracts shall be calculated separately with respect to FCM SwapClear Contracts held in ~~an~~ that FCM Clearing Member's Proprietary Account and with respect to the FCM SwapClear Contracts held on behalf of each of that FCM Clearing Member's FCM Clients in ~~the relevant~~ each applicable FCM Client Sub-Account.

**Regulation 32 — ~~The reset rate for, and the net present value of, an FCM SwapClear Contract~~****REGULATION 47 THE RESET RATE FOR, AND THE NET PRESENT VALUE OF, AN FCM SWAPCLEAR CONTRACT**

The Clearing House may determine the reset rate for, and the net present value of, an FCM SwapClear Contract for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

**Regulation 33 — ~~Withdrawal of the FCM SwapClear Service by the Clearing House~~**

- ~~(a) — If at any time the Clearing House decides to withdraw the FCM SwapClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM SwapClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 33 to, or the non-receipt of notice under this FCM Regulation 33 by, one or more FCM Clearing Members shall not invalidate the Withdrawal Date.~~
- ~~(b) — Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 30(n), register an FCM SwapClear Contract (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 33(a).~~
- ~~(c) — If, with respect to FCM SwapClear Clearing Services, at the Withdrawal Date an FCM Clearing Member or Non-FCM Clearing Member has not closed out all of the applicable open FCM SwapClear Contracts registered in its name, the Clearing House may, in its sole discretion:~~
- ~~(i) — liquidate any or all of such FCM SwapClear Contracts and require such FCM SwapClear Contracts to be cash settled at a price determined by the Clearing House; or~~
  - ~~(ii) — postpone the Withdrawal Date until such time as the Clearing House determines.~~

**Regulations 34-39: [Reserved]**





**CHAPTER XIII - FCM FOREXCLEAR REGULATIONS****PART III – REGULATIONS APPLICABLE TO REGISTRATION OF FCM FOREXCLEAR CONTRACTS; FOREXCLEAR ACCOUNTS****Regulation 40 — Registration of FCM ForexClear Contracts; 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) — [Intentionally Omitted].~~

(b) ~~(e)~~ Without prejudice to the Clearing House's rights under paragraph ~~(f)~~ of this FCM Regulation ~~40,49~~, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name on behalf of an FCM Client ~~or an Affiliate~~ 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) ~~(d)~~ Without prejudice to the Clearing House's rights under paragraph ~~(f)~~ of this FCM Regulation ~~40,49~~, 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) ~~(e)~~ The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation ~~40,49~~ in the name of an FCM Clearing Member on behalf of an FCM Client ~~or an Affiliate (or, if applicable, on the FCM Clearing Member's own behalf)~~, at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client ~~or Affiliate~~ 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 ~~or Affiliate~~, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule B hereto<sup>2</sup> to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

(e) ~~(f)~~ **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, meet the FCM ForexClear Product Eligibility Criteria in existence at the Registration Time (such an FCM ForexClear Transaction, an “**Ineligible FCM ForexClear Transaction**”), the Clearing House shall, as soon as practicable thereafter set aside such FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be).
- (ii) *Ineligible FCM ForexClear Transactions.* Upon an FCM ForexClear Contract being set aside under ~~subsection~~sub-clause (i) above (such set aside contract, an “**Ineligible FCM ForexClear Contract**”), the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM ForexClear Contract via the ForexClear Matcher that such Ineligible FCM ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (A) such Ineligible FCM ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (B) all Variation Margin (if any) paid by the Clearing House or by an FCM Clearing Member in respect of such Ineligible FCM ForexClear Contract shall be retained by the receiving party upon termination; (C) where there is a difference between the value of the Ineligible FCM ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible FCM ForexClear Contract at the time of the next official settlement rate for the relevant currency pair, then a payment shall be made between the FCM Clearing Members (or one FCM Clearing Member and one Non-FCM Clearing Member, as the case may be) to the original Ineligible FCM ForexClear Transaction equal to such difference; and (D) these payments shall be deemed to satisfy in full the relevant party’s obligations under the Ineligible FCM ForexClear Contract and shall be retained by the receiving party upon termination in accordance with ~~clause~~ (A) of this paragraph as a termination payment.

The Clearing House may not determine an FCM ForexClear Transaction to be an Ineligible FCM ForexClear Transaction after the Valuation Date (as defined in Part A of Schedule ~~B to these FCM Regulations~~2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual) in respect of the FCM ForexClear Contracts arising from the registration of such FCM ForexClear Transaction has occurred.

The Clearing House shall provide no less than 10 Business Days<sup>1</sup> prior notice (including by email) to FCM Clearing Members providing FCM ForexClear Clearing Services of an amendment to the FCM ForexClear Product Eligibility Criteria for the registration of FCM ForexClear Contracts.

- (iii) Without prejudice to FCM Regulation ~~2444~~2444 and its obligations under this FCM Regulation ~~40,49~~40,49, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the

registration by it in error or otherwise of an FCM ForexClear Contract in respect of a transaction which did not meet the FCM ForexClear Product Eligibility Criteria at the Registration Time to enable it to be registered as an FCM ForexClear Contract.

- (f) ~~(g)~~ Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM ForexClear Transactions are to be registered to furnish it with Margin as a condition of registration of such FCM Transaction(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation 914 and such other applicable provisions in the FCM Rulebook.
- (g) ~~(h)~~ The Clearing House may decline to register an FCM ForexClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market; **provided, that** the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM ForexClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM Transaction subject to any conditions stipulated by the Clearing House including the furnishing of additional Margin by any FCM Clearing Member in whose name any such FCM ForexClear Transaction is to be registered.
- (h) ~~(i)~~ **Registration of FCM ForexClear Transactions.** An FCM ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:
- (i) in the case where one Executing Party clears its side of such FCM ForexClear Transaction either through a Non-FCM Clearing Member or directly with the Clearing House in its capacity as a Non-FCM Clearing Member, and the other Executing Party clears its side of such FCM ForexClear Transaction as or through an FCM Clearing Member, as one Non-FCM ForexClear Contract pursuant to the UK General Regulations applicable to Non-FCM Clearing Members and one FCM ForexClear Contract pursuant to these FCM Regulations, where (i) the FCM ForexClear Contract shall be registered between the FCM Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller (or vice versa as applicable), and (ii) the Non-FCM ForexClear Contract shall be registered between the Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable); or
  - (ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.

(iii) In each of the foregoing cases in ~~clauses~~paragraphs (i) and (ii) above, to the extent the FCM ForexClear Contract has been entered into by an FCM Clearing Member on behalf of an FCM Client ~~or Affiliate~~, each FCM Clearing Member will be the agent of its FCM Client ~~or Affiliate~~, but will nevertheless remain fully liable to the Clearing House for any and all amounts due to the Clearing House in connection with any FCM ForexClear Contract cleared on behalf of its FCM Client ~~or Affiliate~~.

(i) ~~(j)~~ **Effect of Registration of FCM ForexClear Transactions.** With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation ~~4049(i)~~4049(h):

(i) Such FCM ForexClear Transaction shall be extinguished and replaced by the corresponding FCM ForexClear Contracts (or if applicable, the corresponding FCM ForexClear Contract and Non-FCM ForexClear Contract), and the parties to such FCM ForexClear Transaction shall be released and discharged from all rights and obligations under such FCM ForexClear Transaction which fall due for performance on or after the Registration Time.

(ii) Each FCM ForexClear Contract registered under FCM Regulation ~~4049(i)~~4049(h)(i) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.

(iii) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Buyer under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction; and

(iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.

In ~~subsections~~sub-clauses (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM ForexClear Transaction (it being assumed, for this purpose, that such FCM ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

(j) ~~(k)~~ If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House

for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation ~~40~~49 or any other applicable provision of the FCM Rulebook.

- (k) ~~(j)~~ 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 ~~40~~49 shall take effect.
- ~~(m) — An FCM Clearing Member approved to provide FCM ForexClear Clearing Services may provide FCM ForexClear Clearing Services in connection with FCM ForexClear Contracts or FCM ForexClear Transactions to any of its Affiliates. Such FCM Clearing Services shall be provided in the same manner as set forth under these FCM Regulations with respect to FCM Clients, as applicable, except that all transactions for Affiliates shall be cleared through the Proprietary Account of the applicable FCM Clearing Member.~~
- (l) ~~(n)~~ **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.

~~Regulation 41 — Cancellation of FCM ForexClear Contracts~~

**REGULATION 48 CANCELLATION OF FCM FOREXCLEAR CONTRACTS**

- (a) An FCM Clearing Member may, in accordance with this FCM Regulation [44.50](#) and the FCM Procedures, cancel an FCM ForexClear Contract to which it is a party.
- (b) The Clearing House shall have no obligation to inform, notify or seek the consent of any FCM Clearing Member (or Non-FCM Clearing Member) prior to cancelling an FCM ForexClear Contract in accordance with this FCM Regulation [44.50](#).
- (c) The cancellation of an FCM ForexClear Contract to which an FCM Clearing Member is a party (referred to in this FCM Regulation [44.50](#) as the “**First ForexClear Contract**”) is contingent upon, *inter alia*, the cancellation of the corresponding FCM ForexClear Contract (or Non-FCM ForexClear Contract, if applicable) that arose from the same underlying FCM ForexClear Transaction (referred to in this FCM Regulation [44.50](#) as the “**Second ForexClear Contract**”), and vice versa.
- (d) The date and time of the cancellation of an FCM ForexClear Contract shall be as reported by the Clearing House in accordance with the FCM Procedures and shall be binding on FCM Clearing Members (and Non-FCM Clearing Members, as applicable).
- (e) The Clearing House may decline to cancel an FCM ForexClear Contract if:
  - (i) in the opinion of the Clearing House acting in its sole discretion, the cancellation of that FCM ForexClear Contract is not consistent with the FCM Rulebook (and if applicable the UK General Regulations) and any policies of the clearing house concerning risk management; or
  - (ii) there is insufficient margin standing to the credit of an FCM Clearing Member's account to accommodate the cancellation of the First ForexClear Contract and/or the Second ForexClear Contract.
- (f) With effect from the time of the cancellation of an FCM ForexClear Contract in accordance with this FCM Regulation [44.50](#), neither the FCM Clearing Member nor the Clearing House shall have any obligations under the terms of that FCM ForexClear Contract and liability in respect thereof.



**Regulation 42 — Variation Margin****REGULATION 49 VARIATION MARGIN**

- (a) The Clearing House shall, at least daily and in accordance with and at the times stated in the FCM Procedures, pay to, or require payment from, an FCM Clearing Member cash for Variation Margin in respect of any FCM ForexClear Contracts registered on behalf of such FCM Clearing Member. The amount paid represents the change from the preceding ~~business day~~ Business Day in the net present value of all FCM ForexClear Contracts registered in such FCM Clearing Member's name.
- (b) The net present value of each FCM ForexClear Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.
- (c) The Clearing House pays to (or receives from) each applicable FCM Clearing Member interest on cash received (or paid) by the Clearing House, calculated in accordance with the Procedures, in respect of open FCM ForexClear Contracts.
- (d) All payments by an FCM ForexClear Clearing Member made pursuant to this FCM Regulation ~~42~~51 to the Clearing House shall be reflected in the relevant FCM Omnibus ForexClear Client Account with LCH.
- (e) This FCM Regulation ~~42~~51 is without prejudice to the Clearing House's right to require Margin to be provided to it under FCM Regulation ~~9~~14.

**~~Regulation 1 — Regulation 43 — Withdrawal of the FCM ForexClear Service by the Clearing House~~**

- ~~(a) — If at any time the Clearing House decides to withdraw the FCM ForexClear Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM ForexClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 43 to, or the non-receipt of notice under this FCM Regulation 43 by, one or more FCM Clearing Members shall not invalidate the Withdrawal Date.~~
- ~~(b) — Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM ForexClear Contract (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 43(a).~~
- ~~(c) — If, five Business days prior to the Withdrawal Date, an FCM Clearing Member or Non-FCM Clearing Member has not closed out all of the applicable open FCM ForexClear Contracts registered in its name, the Clearing House may, in its sole discretion and upon five Business Days' notice to the FCM Clearing Members providing FCM ForexClear Clearing Services:~~

- ~~(i) liquidate any or all of such FCM ForexClear Contracts and require such FCM ForexClear Contracts to be cash settled at a price determined by the Clearing House; or~~
- ~~(ii) postpone the Withdrawal Date until such time as the Clearing House determines.~~

#### **Regulation 44 — Discontinuation of a Settlement Rate Option**

~~(a) If:~~

- ~~(i) the administrator of a benchmark that is a Settlement Rate Option has publicly announced that it will discontinue publication of the benchmark (“**Discontinued Rate**”); and~~
- ~~(ii) ISDA has published a “Multilateral Amendment Agreement” to amend certain transactions to use an alternative benchmark (“**Substitute Rate**”) in the lieu of the Discontinued Rate on and from a specified date (“**Effective Date**”);~~

~~then, in respect of a FCM ForexClear Contract in respect of which a Settlement Rate has not been determined as at the Effective Date and which references the Discontinued Rate (“**Affected FCM ForexClear Contract**”), the Clearing House may, by written notice to all FCM ForexClear Clearing Members, amend the Settlement Rate Option of each Affected FCM ForexClear Contract to reference the Substitute Rate with effect on and from the Effective Date and specify such incidental amendments to the Affected FCM ForexClear Contract as may be required~~

~~The terms “ISDA”, “Settlement Rate Option” and “Valuation Date” have the meanings given to them by the FCM ForexClear Contract Terms.~~

- ~~(b) The accidental omission to give notice under this provision to, or the non-receipt of notice by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

#### **Regulations 45-49: [Reserved]**

## CHAPTER XIV - FCM ENCLEAR REGULATIONS

### ~~PART IV—REGULATIONS APPLICABLE TO~~REGISTRATION OF FCM ENCLEAR CONTRACTS

#### ~~Regulation 50—~~Registration of FCM EnClear Contracts

- (f) An FCM EnClear Clearing Member must submit particulars of an FCM EnClear Transaction for registration as an FCM EnClear Contract, through such means as shall be prescribed by the FCM Procedures.
- (g) Without prejudice to the Clearing House's rights under FCM Regulation ~~5052~~(f), an FCM EnClear Clearing Member shall be bound by an FCM EnClear Contract registered in its name pursuant to the presentation of particulars of an FCM EnClear Transaction by it or on its behalf, or by an Approved Broker or presented by another FCM EnClear Clearing Member **provided that** the particulars of such FCM EnClear Transaction are submitted to the Clearing House through such means as shall be prescribed by the FCM Procedures.
- (h) Without prejudice to the Clearing House's rights under FCM Regulation ~~5052~~(f), an FCM EnClear Transaction, the particulars of which are submitted for registration as an FCM EnClear Contract, must meet the FCM EnClear Product Eligibility Criteria at the time the particulars of such FCM EnClear 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 EnClear Contract.
- (i) The Clearing House shall be deemed to register an FCM EnClear Contract, in accordance with this FCM Regulation ~~5052~~ in the name of an FCM EnClear Clearing Member at the Registration Time.
- (j) For the avoidance of doubt, any transaction of which details have been submitted by, or on behalf of, an FCM EnClear Clearing Member or by an Approved Broker for registration as an FCM EnClear Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (k) If at any time after registration of an FCM EnClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the FCM EnClear Product Eligibility Criteria for registration as an FCM EnClear Contract, the Clearing House shall, as soon as practicable thereafter, set aside such FCM EnClear Contract. Upon the FCM EnClear Contract being set aside under this FCM Regulation ~~50-52~~(f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto. Any payment made under, or in respect of, an FCM EnClear Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation ~~2444~~ and its obligations under this FCM

Regulation ~~50~~52(f), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM EnClear Contract in respect of a transaction which did not meet the FCM EnClear Product Eligibility Criteria at the Registration Time to enable it to be registered as an FCM EnClear Contract.

REGULATION 50 ~~Regulation 51 FCM EnClear Contracts~~ FCM ENCLEAR CONTRACTS

- (a) An FCM EnClear Transaction presented for registration to, and accepted by the Clearing House, shall be registered by the Clearing House as two FCM EnClear Contracts or as one FCM EnClear Contract and one Non-FCM EnClear Contract, one between the First EnClear Clearing Member being the seller, or party paying a Fixed Price (as the case may be) and the Clearing House as buyer, or the party paying a Floating Price (as the case may be), and the other between the Clearing House as the seller or party paying a Fixed Price (as the case may be) and the Second EnClear Clearing Member being the buyer or the party paying a Floating Price (as the case may be). For the purposes of this FCM Regulation:
- (i) **“First EnClear Clearing Member”** is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or Non-FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the seller, or party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be; and
- (ii) **“Second EnClear Clearing Member”** is an FCM EnClear Clearing Member or an LCH EnClear OTC Clearing Member who was, before registration of the FCM EnClear Contract or the Non-FCM EnClear Contract, as the case may be, party to the corresponding FCM EnClear Transaction as the buyer, or the party paying a Floating Price (as the case may be), or, if appropriate, who has Accepted such FCM EnClear Transaction in accordance with the relevant FCM Procedures or UK General Procedures, as the case may be.

For the purposes of this FCM Regulation ~~54,53~~, **“Accepted”** shall mean that the relevant FCM EnClear Clearing Member (or LCH EnClear OTC Clearing Member, where applicable) has agreed, by such means as may be prescribed from time to time by the FCM Procedures, to become counterparty with the Clearing House to such FCM EnClear Contract (or Non-FCM EnClear Contract, where applicable).

- (b) With effect from registration of an FCM EnClear Transaction as either two FCM EnClear Contracts or one FCM EnClear Contract and one Non-FCM EnClear Contract, as the case may be, under FCM Regulation ~~54~~53(a):
- (i) the parties to the corresponding FCM EnClear Transaction, to the extent that they are bound by these FCM Regulations or the UK General Regulations, shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding FCM EnClear Transaction are not bound by these FCM Regulations or the UK General Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;

- (ii) each FCM EnClear Contract registered under FCM Regulation [5453](#)(a) shall be governed by the relevant FCM EnClear Contract Terms as applicable to that FCM EnClear Contract;
- (iii) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non-FCM EnClear Contract (as the case may be) to which it (or the party on whose behalf it is clearing) is party as the seller had and owed in respect of its counterparty under the corresponding FCM EnClear Transaction; and
- (iv) subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second EnClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM EnClear Contract or Non-FCM EnClear Contract (as the case may be) to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM EnClear Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding FCM EnClear Transaction (it being assumed, for this purpose, that such FCM EnClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.

- (c) If an FCM EnClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM EnClear Contract arising under this FCM Regulation [5453](#) (including any subsequent FCM EnClear Contract novated or transferred in accordance with the FCM Rulebook, if applicable).
- (d) In the case of an FCM EnClear 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 [5453](#) shall take effect.

## **Regulation 52 — Daily Settlement**

**REGULATION 51 DAILY SETTLEMENT**

- (a) Where the FCM Procedures so provide, in respect of any FCM EnClear Transaction and any FCM EnClear Contract arising therefrom, the Clearing House may effect the daily settlement to market, of such open FCM EnClear Contracts (in each case, as opposed to requiring the collateralization of such open contracts) in accordance with the FCM Procedures.
- (b) The Clearing House may, in accordance with the Procedures, in respect of each such open FCM EnClear Contract in an FCM Clearing Member's name which is subject to daily settlement to market, effect and register a settlement contract, being a contract on the same terms (except as to price) as the Open Contract, save that where that FCM Clearing Member is the seller or the party paying a "Fixed Price" (as the case may be) under the terms of the Open Contract, that FCM Clearing Member shall be the buyer or the party paying a "Floating Price" (as the case may be) under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the FCM Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each Open Contract against the respective settlement contract in accordance with the FCM Procedures.
- (c) Upon completion of the ~~procedure~~process set out in paragraph (b) above, the Clearing House may, if the FCM Procedures so provide, calculate the daily settlement amounts in accordance with the FCM Procedures and may thereafter ~~make up~~debit or credit (as the case may be) the FCM Clearing Member's account and upon the Clearing House so doing, that FCM Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising in accordance with the arrangements set out in the FCM Procedures in respect of the relevant FCM EnClear Contract.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the FCM Procedures, in respect of those open FCM EnClear Contracts in an FCM Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the Reference Price referred to in paragraph (b) above, which price shall be deemed to be the "traded price", contracts in that FCM Clearing Member's name as open FCM EnClear Contracts on the same terms (except as to price) as the settled Open Contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same Delivery Month, or Expiry Month and price, shall be registered in that FCM Clearing Member's name.

**~~Regulation 53 — Withdrawal of the FCM EnClear Service by the Clearing House~~**

- ~~(a) — If at any time the Clearing House decides to withdraw its FCM EnClear Service (or any part of it) it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members (approved to clear FCM EnClear Contracts) of the applicable Withdrawal Date. The accidental omission by the Clearing House to give notice under this FCM Regulation 52 to, or the non-receipt~~



~~of notice under this FCM Regulation 52 by one or more FCM Clearing Members shall not invalidate the Withdrawal Date. Where only a part of the FCM EnClear Service is being withdrawn, notice shall only be given to those FCM Clearing Members authorized or approved to participate in that part of the FCM EnClear Service.~~

- ~~(b) Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an FCM EnClear Contract, other than a Closing-out Contract after notice to withdraw the service has been given under FCM Regulation 52(a).~~
- ~~(c) If, at the Withdrawal Date, an FCM Clearing Member has not closed out all open FCM EnClear Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:~~
- ~~(i) liquidate any or all of such FCM EnClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and~~
  - ~~(ii) postpone the Withdrawal Date until such time as the Clearing House determines.~~

***Regulations 54-59: [Reserved]***

## **PART V – REGULATIONS APPLICABLE TO FCM NODAL CONTRACTS**

**Regulation \_\_\_\_\_ 54**

**CHAPTER XV - FCM NODAL REGULATIONS**

**REGULATION 52 PRESENTATION, ALLOCATION OF NODAL TRANSACTIONS AND REGISTRATION OF NODAL CONTRACTS; TREATMENT OF FCM CLIENT FUNDS IN CONNECTION WITH FCM NODAL TRANSACTIONS AND FCM NODAL CONTRACTS**~~Regulation 56~~  
~~Regulation 57~~ ~~Regulation 58~~ ~~Regulation 59~~  
~~Regulation 60~~ ~~Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts; Treatment of FCM Client Funds in Connection with FCM Nodal Transactions and FCM Nodal Contracts~~

- (a) In order to utilize the FCM Nodal Clearing Services an FCM Nodal Clearing Member must cause particulars of an FCM Nodal Transaction to which it is party to be submitted for registration as an FCM Nodal Contract, through such means as shall be prescribed by the FCM Procedures.
- (b) An FCM Nodal Transaction submitted for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time the particulars of such FCM Nodal Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as two FCM Nodal Contracts (or, if applicable, one FCM Nodal Contract and one Non-FCM Nodal Contract). An FCM Nodal Clearing Member may not revoke, cancel or transfer an FCM Nodal Transaction unless permitted by Nodal's Rules or the FCM Rulebook, or with the consent of the Clearing House and Nodal.
- (c) An FCM Nodal Clearing Member shall not allow the submission for registration of a transaction which is not an FCM Nodal Transaction in connection with the FCM Nodal Clearing Service.
- (d) The Clearing House may require FCM Nodal Transactions presented for registration in the name of an FCM Nodal Clearing Member to be confirmed by or on behalf of such FCM Nodal Clearing Member, in which case it shall specify the manner, form and time of such confirmation in the FCM Procedures.
- (e) The Clearing House may decline to register an FCM Nodal Transaction in the name of an FCM Nodal Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM Nodal Transaction subject to any conditions stipulated by the Clearing House including the furnishing of Margin by both FCM Nodal Clearing Members in whose name any such FCM Nodal Transaction is to be registered.
- (f) Without prejudice to the Clearing House's rights under paragraph (h) of this FCM Regulation ~~60~~,55, an FCM Nodal Clearing Member shall be bound by an FCM Nodal Contract registered in its name pursuant to the presentation of particulars of an FCM Nodal Transaction.

- (g) The Clearing House shall be deemed to register an FCM Nodal Contract in relation to an FCM Nodal Transaction in the name of an FCM Nodal Clearing Member at the Registration Time for that type of FCM Nodal Contract in accordance with FCM Regulation ~~64~~56.
- (h) For the avoidance of doubt, any transaction of which details have been submitted for registration as FCM Nodal Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Nodal Trading Facility through or on which the transaction was executed or by which it was registered), but subject in all cases to Nodal's Rules, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (i) If at any time after registration of an FCM Nodal Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM Nodal Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such FCM Nodal Contract. Upon the purported FCM Nodal Contract being set aside under this FCM Regulation ~~6055~~(4), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect of, an FCM Nodal Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation ~~64~~(g)44 and its obligations under this FCM Regulation ~~6055~~(4), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as an FCM Nodal Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM Nodal Contract.

**Regulation 61** ———

**Nodal Contracts****REGULATION 53 NODAL CONTRACTS**

- (a) An FCM Nodal Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as either two FCM Nodal Contracts or as one Non-FCM Nodal Contract and one FCM Nodal Contract, one between the First Nodal Clearing Member as the seller and the Clearing House as the buyer, and the other between the Clearing House as the seller and the Second Nodal Clearing Member as the buyer (as the case may be). For the purposes of this FCM Regulation:
- (i) **“First Nodal Clearing Member”** is an FCM Nodal Clearing Member or a Nodal Service Clearing Member who was, before registration of the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, party to the corresponding FCM Nodal Transaction as the seller; and
  - (ii) **“Second Nodal Clearing Member”** is an FCM Nodal Clearing Member (who may also be the same as the First FCM Nodal Clearing Member) or Nodal Service Clearing Member who was, before registration of the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, party to the corresponding Nodal Transaction as the buyer.
- (b) With effect from registration of an FCM Nodal Transaction as either two FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as the case may be, under FCM Regulation ~~64~~56(a):
- (i) the parties to the corresponding FCM Nodal Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each FCM Nodal Contract registered under paragraph (a) of this FCM Regulation shall be governed by the relevant FCM Nodal Contract;

Terms applicable to that FCM Nodal Contract:

- (iii) subject always to sub-paragraph (ii) above, the First Nodal Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is a party as the seller had and owed in respect of its counterparty under the corresponding FCM Nodal Transaction; and
- (iv) subject always to sub-paragraph (ii) above, the Second Nodal Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the FCM Nodal Contract or Non-FCM Nodal Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM Nodal Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding FCM Nodal Transaction (it being assumed, for this purpose, that such FCM Nodal Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.

- (c) If an FCM Nodal Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM Nodal Contract, unless otherwise determined by the Clearing House.
- (d) In the case of an FCM Nodal 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 ~~64~~56 shall take effect.

**Regulation 62** ———

**Daily Settlement or Marking to Market****REGULATION 54 DAILY SETTLEMENT OR MARKING TO MARKET**

- (a) Where the FCM Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open FCM Nodal Contracts in accordance with the FCM Procedures. Daily settlement to market shall not apply to such open FCM Nodal Contracts which are for the account of an FCM Nodal Clearing Member's FCM Clients.
- (b) The Clearing House shall, in accordance with the FCM Procedures, in respect of each open FCM Nodal Contract in an FCM Nodal Clearing Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or Premium), including the Strike Price, where applicable, as the open FCM Nodal Contract, save that where an FCM Nodal Clearing Member is the seller under the terms of the open FCM Nodal Contract that FCM Nodal Clearing Member shall be the buyer under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the FCM Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each open FCM Nodal Contract against the respective settlement contract in accordance with the Procedures.
- (c) The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the FCM Procedures and shall thereafter make up the FCM Nodal Clearing Member's account and upon the Clearing House so doing, that FCM Nodal Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to an FCM Nodal Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these FCM Regulations, such profit shall be paid to that FCM Nodal Clearing Member on its request; and
  - (ii) any loss arising to an FCM Nodal Clearing Member shall be debited to the applicable account of that FCM Nodal Clearing Member and (subject to these FCM Regulations) that FCM Nodal Clearing Member shall pay the amount of such loss to the Clearing House forthwith on demand.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the FCM Procedures:
- (i) in respect of those open FCM Nodal Contracts in an FCM Nodal Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant Reference Price referred to in the FCM Procedures, FCM Nodal Contracts in that FCM Nodal Clearing Member's name as open FCM Nodal Contracts on the same terms (except as to price or Premium), including the Strike Price, where applicable, as the settled open FCM Nodal Contracts, save that no FCM

Nodal Contract for the purchase and no contract for the sale of the same commodity, for the same Delivery Month, or Expiry Month and price, shall be registered in that FCM Nodal Clearing Member's name; and

- (ii) in respect of those open FCM Nodal Contracts in an FCM Nodal Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the FCM Procedures, register at the relevant Reference Price referred to in the FCM Procedures, FCM Nodal Contracts in the FCM Nodal Clearing Member's name as open FCM Nodal Contracts on the same terms (except as to price or Premium) including the Strike Price, where applicable, as the settled open FCM Nodal Contracts.
- (e) An FCM Nodal Clearing Member may, in respect of all open FCM Nodal Contracts in its name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the FCM Procedures, to settle such FCM Nodal Contracts being the same number of contracts for the purchase and sale of the same commodity for the same Delivery Month or, where applicable, for the same Expiry Month and Strike Price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the FCM Nodal Clearing Member in accordance with the FCM Procedures) make up the FCM Nodal Clearing Member's account.
- (f) In respect of those open FCM Nodal Contracts of which settlement might have been requested by an FCM Nodal Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the Delivery Month applicable to those FCM Nodal Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the FCM Nodal Clearing Member's accounts accordingly.

**~~SCHEDULE A – FCM SWAPCLEAR CONTRACT TERMS  
AND PRODUCT ELIGIBILITY CRITERIA~~**

**~~Part A~~**

**~~FCM SwapClear Contract Terms~~**

~~The terms of a registered FCM SwapClear Contract shall include these FCM SwapClear Contract Terms which shall comprise:~~

- ~~(1) Interpretation; and~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms.~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~



~~Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM SwapClear Contract Terms applicable to an FCM SwapClear Contract to calculate the amounts due under the FCM SwapClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

## ~~1. Interpretation~~

- ~~1.1 “ISDA 2000 Definitions” means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), and the same are incorporated by reference herein and “ISDA 2006 Definitions” means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.~~
- ~~1.2 Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the “ISDA 2000 Definitions” or the “ISDA 2006 Definitions” shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply.~~
- ~~1.3 In the event of an inconsistency between the FCM Regulations and the FCM Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the FCM Regulations and FCM Procedures will prevail.~~
- ~~1.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a “Swap Transaction” shall be deemed to be references to an “FCM SwapClear Transaction” for the purposes of SwapClear.~~
- ~~1.5 Except where expressly stated otherwise, all reference to “Articles” means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:~~
- ~~(a) in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;~~
  - ~~(b) any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member’s name at the time such amendment comes into effect if the Clearing House so determines; and~~
  - ~~(c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

## ~~2. Economic Terms~~

- ~~2.1 — The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~
- ~~2.2 — It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps, the information described in either 2.3(i)(viii) or 2.3(i)(ix) below (but not both) must be provided.~~
- ~~2.3 — The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:~~
- ~~(a) — Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>+</sup>;~~
  - ~~(b) — Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);~~
  - ~~(c) — Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);~~
  - ~~(d) — Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);~~
  - ~~(e) — Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);~~
  - ~~(f) — Additional Payments/Fees:
    - ~~(i) — the Payer of the Additional Payments/Fees (if any);~~
    - ~~(ii) — the amount of the Additional Payments/Fees (specify zero if none).~~~~
  - ~~(g) — Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);~~
  - ~~(h) — Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);~~
  - ~~(i) — Where Fixed Rate — Floating Rate Swap:~~

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<sup>+</sup> ~~SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.~~

- ~~(i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);~~
- ~~(ii) Fixed Rate Payer Payment Dates;~~
- ~~(iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction] [or Fixed Rate Payer Schedule]<sup>2</sup>;~~
- ~~(iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);~~
- ~~(v) Floating Rate Payer Payment Dates;~~
- ~~(vi) Floating Rate Payer compounding dates (if applicable);~~
- ~~(vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);~~
- ~~(viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~

~~(Note: The details of each such option are as provided in the Procedures).~~
- ~~(ix) Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the “Annex to the 2000 ISDA Definitions (June 2000 Version)” for definition);~~
- ~~(x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>3</sup>;~~
- ~~(xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~
- ~~(xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).~~
- ~~(j) Where Floating Rate Floating Rate Swap (“basis” swap):~~
  - ~~(i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);~~

<sup>2</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.~~

<sup>3</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

- ~~(a) — Floating Rate Payer Payment Dates;~~
- ~~(b) — Floating Rate Payer compounding dates (if applicable);~~
- ~~(c) — Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~
- ~~(Note: the details of each such option are as provided in the Procedures)~~
- ~~(ii) — Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~
- ~~(iii) — Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>4</sup>;~~
- ~~(iv) — Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~
- ~~(v) — Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition);~~
- ~~(vi) — Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):~~
- ~~(a) — Floating Rate Payer Payment Dates;~~
- ~~(b) — Floating Rate Payer compounding dates (if applicable);~~
- ~~(c) — Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~
- ~~(Note: The details of each such option are as provided in the Procedures)~~
- ~~(vii) — Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~
- ~~(viii) — Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>5</sup>;~~

<sup>4</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

<sup>5</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain~~

- ~~(ix) — Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition); and~~
- ~~(x) — Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).~~

~~2.4 — The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:~~

- ~~(a) — Notional Amount (see Article 4.7 for definition);~~
- ~~(b) — Currency (see Article 1.7 for definition);~~
- ~~(c) — Trade Date (see Article 3.7 for definition);~~
- ~~(d) — Effective Date (see Article 3.2 for definition);~~
- ~~(e) — Termination Date (see Article 3.3 for definition);~~
- ~~(f) — Additional Payments/Fees:
  - ~~(i) — the Payer of the Additional Payments/Fees (if any);~~
  - ~~(ii) — the amount of the Additional Payments/Fees (specify zero if none);~~~~
- ~~(g) — Business Days (see Article 1.4 for definition);~~
- ~~(h) — Business Day Convention (see Article 4.12 for definition);~~
- ~~(i) — Fixed Rate Payer (see Article 2.1 for definition);~~
- ~~(j) — Fixed Rate Payer Payment Dates;~~
- ~~(k) — Fixed Rate;~~
- ~~(l) — Floating Rate Payer (see Article 2.2 for definition);~~
- ~~(m) — Floating Rate Payer Payment Dates;~~
- ~~(n) — Floating Rate Option (see Article 6.2(i) for definition);~~
- ~~(o) — Designated Maturity (see Article 7.3(b) for definition);~~
- ~~(p) — Spread (see Article 6.2(f) for definition);~~
- ~~(q) — Reset Dates (see Article 6.2(b) for definition);~~
- ~~(r) — Floating Rate Day Count Fraction (see Article 6.2(g) for definition);~~
- ~~(s) — FRA Discounting (see Article 8.4 (b) for definition);~~

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~~unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

~~(t) — Discount Rate (see Article 8.4. (c) for definition);~~

~~(u) — Discount Rate Day Count Fraction (see Article 8.4. (d) for definition); and~~

~~(v) — FRY Yield Discounting (see Article 8.4(e) for definition).~~

In respect of forward rate agreements either (s) or (v) but not both should be selected.

## ~~2.5 — Financial Centers~~

~~Detail of the relevant financial center/s must be provided using the appropriate Markitwire/FpML code as set out below:~~

<del>Financial Center</del>	<del>Markitwire/FpML</del>
<del>Sydney</del>	<del>AUSY</del>
<del>Brussels</del>	<del>BEBR</del>
<del>Montreal</del>	<del>CAMO</del>
<del>Toronto</del>	<del>GATO</del>
<del>Geneva</del>	<del>CHGE</del>
<del>Zurich</del>	<del>GHZU</del>
<del>Prague</del>	<del>GZPR</del>
<del>Frankfurt</del>	<del>DEFR</del>
<del>Copenhagen</del>	<del>DKCO</del>
<del>Madrid</del>	<del>ESMA</del>
<del>Helsinki</del>	<del>FIHE</del>
<del>Paris</del>	<del>FRPA</del>
<del>London</del>	<del>GBLO</del>
<del>Hong Kong</del>	<del>HKHK</del>
<del>Budapest</del>	<del>HUBU</del>
<del>Milan</del>	<del>ITMI</del>
<del>Rome</del>	<del>ITRO</del>
<del>Tokyo</del>	<del>JPTO</del>
<del>Luxemburg</del>	<del>LULU</del>

Financial Center	Markitwire/FpML
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJO

### ~~3. Standard Terms~~

~~The following terms are designated as Standard Terms of a registered FCM SwapClear Contract:~~

#### ~~3.1 Business Days~~

~~In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to an FCM SwapClear Contract.~~

#### ~~3.2 Negative Interest Rates~~

~~The “Negative Interest Rate Method” as set out in Article 6.4(b) of the ISDA Definitions, will apply to an FCM SwapClear Contract.~~

#### ~~3.3 Withholding Tax Provisions~~

~~All payments due under an FCM SwapClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~



~~The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~

### ~~3.4 — Payment of Stamp Tax~~

~~Each FCM Clearing Member will pay any stamp tax or duty levied or imposed upon it in respect of any FCM SwapClear Contract to which it is a party 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 will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM SwapClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

### ~~3.5 — Payments under an FCM SwapClear Contract~~

~~Payments under, and in respect of, an FCM SwapClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Procedures.~~

### ~~3.6 — FCM Regulations~~

~~An FCM SwapClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM SwapClear Contract Terms and the FCM Regulations and the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

### ~~3.7 — Governing Law~~

~~Each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of law and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

### ~~3.8 — Third Party Rights~~

~~A person who is not a party to this FCM SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM SwapClear Contract are expressly excluded.~~

**Part B**

**Product Eligibility Criteria for Registration of an FCM SwapClear Contract**

**1. FCM SwapClear Transaction**

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the FCM SwapClear Product Eligibility Criteria for registration as an FCM SwapClear Transaction; and
- (b) each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

**1.1 FCM SwapClear Product Eligibility Criteria for an FCM SwapClear Transaction**

- (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed	Single currency	18,275 days	0.01-
			vs. Floating			
		GBP-WMBA-SONIA-COMPOUND	Fixed	Single currency	10,970 days	
			vs. Floating			
		See Article 7.1w (vii) for definition	Floating vs. Floating		99,999,999.99	
	US Dollar (USD)	USD-LIBOR-BBA	Fixed	Single currency	18,275 days	0.01-
			vs. Floating			
			See Article 7.1(ab) (xxii) for definition	Floating vs. Floating		99,999,999.99

<sup>6</sup>—References in this column are to the 2006 ISDA Definitions

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	
		See Article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999.999.99
		EUR-EURIBOR-Telerate				
		See Article 7.1(f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating		10,970 days	
		See Article 7.1(f)(viii) for definition				
	Australian Dollar (AUD)	AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999.999.99
		See Article 7.1(a)(iv) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal		AUD-LIBOR-BBA				
		See Article 7.1(a) (viii) for definition				
	Canadian Dollar (CAD)	CAD-BA-CDOR	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(b) (ii) for definition	Floating vs. Floating			
		CAD-LIBOR-BBA				
		See Article 7.1(b) (viii) for definition				
		CAD-CORRA-OIS-COMPOUNDED	Floating vs. Floating	Single currency	736 days	0.01-99,999,999,999.99
		See Article 7.1(b) (xii) for definition				
Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99	
	See Article 7.1r(i) for	FLOAT vs.				

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		definition	FLOAT			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(e) (i) for definition	Floating vs. Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint	HUF-BUBOR-	FIXED vs.	Single currency	3670 days	1-10,000,000,0

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
	(HUF)	Reuters	FLOAT			00,000
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	14620 days	1-10,000,000,000,000
		See Article 7.1(l)(iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99
		See Article 7.1(p)(iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99
		See Article 7.1(p)(iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q)(i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1(t) (iii) for definition	Floating vs. Floating			
		SGD-SOR-VWAP	FIXED vs. FLOAT	Single Currency	3670 days	0.01-99,999,999.99.99
		See Procedure 2A.7.12 (v) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999.99.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999.99.99
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty (PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99.99
		WIBOR-WIBO				



Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

(b) — Variable notional swaps having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate	Single currency	18,275 Days	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
			Swap			
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	

(c) — Forward rate agreements having the characteristics set out in the table below;

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed-v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m	Min-25 Max-190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed-v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-25 Max-375
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed-v floating	Single currency	740 days		1m,2m,3m,6m,1y	Min-25 Max-375
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed-v floating	Single currency	740 days		1w,1m,2m,3m,4m,5m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	EUR	EUR-IBOR-REUTERS	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,6m,	Min-3 Max-375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							9m,1y	
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m,1y	Min-3 Max-375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed-v floating	Single currency	740 days		1w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed-v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m,	Min-25 Max-190
Forward Rate Agreement	PLN	PLN-WIBOR_WIBO	Fixed-v floating	Single currency	740 days		1w,2w,1m,3m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed-v floating	Single currency	740 days		1w,1m,2m,3m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	ZAR	ZAR- JIBAR- SAFEX	Fixed-v floating	Single currency	740 days		1m, 3m, 6m, 9m, 1 y	Min-3 Max-375

## ~~2. [ Intentionally Omitted ]~~

## ~~3. Additional FCM SwapClear Product Eligibility Criteria~~

~~3.1 A contract must also meet the following additional criteria to be eligible as an FCM SwapClear Transaction:~~

### ~~(a) Day Count Fractions~~

~~(See Article 4.16 of the “Annex to 2000 ISDA Definitions (June 2000 Version)”, and Article 4.16 of the ISDA 2006 Definitions for definition)~~

~~(i) The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:~~

#### ~~Day Count Fractions using the ISDA 2000 Definitions~~

<del>Day Count Fraction</del>	<del>MarkitWire/FpML Code</del>
<del>30/360 (or Bond Basis)</del>	<del>30/360</del>
<del>30E/360 (or Eurobond Basis)</del>	<del>30E/360</del>
<del>Actual/360</del>	<del>ACT/360</del>
<del>Actual/365 (Fixed)</del>	<del>ACT/365.FIXED</del>
<del>Actual/365 (or Actual/Actual)</del>	<del>ACT/365.ISDA</del>
<del>Actual/Actual (ISMA)</del>	<del>ACT/ACT.ISMA</del>

#### ~~Day Count Fractions using the ISDA 2006 Definitions:~~

<del>Day Count Fraction</del>	<del>MarkitWire/FpML Code</del>
<del>30/360 (or Bond Basis)</del>	<del>30/360</del>
<del>30E/360 (or Eurobond Basis)</del>	<del>30E/360</del>
<del>Actual/360</del>	<del>ACT/360</del>
<del>Actual/365 (Fixed)</del>	<del>ACT/365.FIXED</del>
<del>Actual/Actual</del>	<del>ACT/ACT.ISDA</del>
<del>30E/360 (ISDA)</del>	<del>30E/360.ISDA</del>
<del>Actual/Actual (ICMA)</del>	<del>ACT/ACT.ICMA</del>

The Clearing House will only accept the following Day Count Fractions for Forward Rate Agreements. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

**Day Count Fractions using the ISDA 2006 Definitions:**

Day Count Fraction	MarkitWire/FpML Code	Currency
Actual/365 (Fixed)	ACT/365.FIXED	CAD, AUD, NZD, PLN, ZAR, GBP
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF

Fraction	SWIFT Code
Actual/365, Actual/Actual (See Article 4.16(b) for definition)	-ACT/365
Actual/365 (Fixed) (See Article 4.16(c) for definition)	-AFI/365
Actual/360 (See Article 4.16(d) for definition)	-ACT/360
30/360, 360/360, Bond Basis (See Article 4.16(e) for definition)	360/360
30E/360 (See Article 4.16(f) for definition)	30E/360

**(b) Business Day Conventions**

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12 (i) of the ISDA 2000 Definitions and Article 4.12 (i) of the ISDA 2006 Definitions for definition)

Modified Following (see Article 4.12 (ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)

Preceding (see Article 4.12 (iii) of the ISDA 2000 Definitions and Article 4.12 (iii) of the ISDA 2006 Definitions for definition)

~~For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:~~

- ~~(i) — fixed period end dates and the termination date~~
- ~~(ii) — float period end dates and the termination date~~
- ~~(c) — Minimum and Maximum Residual Term of the Trade (Termination date — Today)~~

~~Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.~~

~~Minimum Residual Term of trade:~~

~~Termination date — Today  $\geq$  1 + currency settlement lag~~

~~where currency settlement lag is:~~

~~1 day for EUR, USD, GBP and CAD denominated trades~~

~~2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades~~

~~Maximum Residual Term of trade:~~

~~Termination date — Today  $\leq$  3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)~~

~~Termination date — Today  $\leq$  10,970 days for AUD, CAD, CHF & SEK (30 years)~~

~~Termination date — Today  $\leq$  14,620 days for JPY (40 years)~~

~~Termination date — Today  $\leq$  18,275 days for GBP, EUR & USD (50 years)~~

~~Maximum Residual Term to Maturity for Forward Rate Agreements~~

~~The maximum residual term to maturity for forward rate agreements is as follows:-~~

<u>Currency</u>	<u>Maximum Residual Term to Maturity</u>
EUR, JPY, USD, GBP	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

- ~~(d) — Designated Maturity~~

~~The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.~~

~~(e) — Calculation Periods~~

~~(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)~~

~~The Clearing House will only accept non-standard Calculation Periods (“*stub periods*”) at the start and/or the end of a contract.~~

~~For variable notional swaps the stub rate should be detailed either as a percentage (*i.e.*, 5.5%), an interpolation (*i.e.*, 1 month / 3 months) or as a designated maturity (*i.e.*, 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.~~

~~For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.~~

~~The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq$  1 week for IRS and basis swap and  $\geq$  1 month for zero coupon swaps.~~

~~SwapClear also calculates floating periods subject to IMM settlement dates as per ISDA definitions.~~

~~(f) — Up-Front Fees — Eligibility of FCM SwapClear Transactions~~

~~Any up-front fees due under an FCM SwapClear Transaction will form part of the first Variation Margin payment made in connection with such FCM SwapClear Transaction.~~

~~FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.~~

~~FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a Two-Day Currency where the up-front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.~~

~~A Backloaded Trade will not be eligible for clearing and will be rejected upon presentation in the event that it is presented after a Backload Registration Cycle and as a result would be ‘parked’ for registration until the following Business Day and as a result of being ‘parked’ it would no longer be eligible for clearing under these criteria.~~

~~For the purposes of this paragraph (f):~~

~~“One-Day Currency” means GBP, USD, CAD or EUR.~~



~~“Two-Day Currency” means any other eligible currency.~~

## ~~SCHEDULE B – FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA~~

### ~~Part A~~

#### ~~FCM ForexClear Contract Terms~~

~~The terms of a registered FCM ForexClear Contract shall include these FCM ForexClear Contract Terms which shall comprise:~~

- ~~(1) Interpretation;~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms, being both the:
  - ~~A. Specific Standard Terms; and~~
  - ~~B. General Standard Terms~~~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM ForexClear Contract Terms applicable to an FCM ForexClear Contract to calculate the amounts due under the FCM ForexClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

#### ~~1. Interpretation (“Interpretation”)~~

- ~~1.1 “ISDA Definitions” means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), the Emerging Markets Trade Association (“EMTA”) and The Foreign Exchange Committee (“FXC”) and the same are incorporated by reference herein.~~
- ~~1.2 Words and expressions used in these FCM ForexClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.~~
- ~~1.3 In the event of an inconsistency, the FCM Regulations and the FCM Procedures will prevail over the ISDA Definitions.~~
- ~~1.4 References in the ISDA Definitions to an “FX Transaction” shall be deemed to be references to an “FCM ForexClear Transaction” for the purposes of the FCM ForexClear Service.~~

- ~~1.5 — Except where expressly stated otherwise, all reference to “Sections” means Sections in the ISDA Definitions.~~
- ~~1.6 — In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the FCM ForexClear Clearing Members, give directions as to whether such amendment shall apply to FCM ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to FCM ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).~~
- ~~1.7 — Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear Contracts going forward, these FCM ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear Contracts registered in an FCM ForexClear Clearing Member’s name prior to the time such amendment comes into effect.~~
- ~~1.8 — The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

## ~~2. — Economic Terms~~

- ~~2.1 — The Economic Terms of an FCM ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear Transaction.~~
- ~~2.2 — The particulars of an FCM ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:~~
- ~~(1) — Trade Date (Section 1.25)~~
  - ~~(2) — Forward Rate (Section 2.1(a))~~
  - ~~(3) — Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD~~
  - ~~(4) — Reference Currency Buyer (Section 1.20)~~
  - ~~(5) — Reference Currency Seller (Section 1.22)~~
  - ~~(6) — scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)~~
  - ~~(7) — Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).~~
- ~~2.3 — However, as set out more particularly in FCM Regulation 40, where the FCM ForexClear Transaction specifies an FCM ForexClear Clearing Member as the Reference Currency Seller, with the other FCM ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each FCM ForexClear Contract to which it is party pursuant to the corresponding FCM ForexClear~~

~~Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such FCM ForexClear Contract, respectively.~~

### ~~3. Specific Standard Terms (“Specific Standard Terms”)~~

~~The following terms are designated as Specific Standard Terms of a registered FCM ForexClear Contract:~~

~~3.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an “EMTA Template”)), governs the terms of an FCM ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.~~

~~3.2 In the format “Reference Currency – Settlement Currency”, the Currency Pairs are~~

~~(1) BRL-USD~~

~~(2) CLP-USD~~

~~(3) CNY-USD~~

~~(4) INR-USD~~

~~(5) KRW-USD~~

~~(6) RUB-USD~~

~~(7) COP-USD~~

~~(8) IDR-USD~~

~~(9) MYR-USD~~

~~(10) PHP-USD~~

~~(11) TWD-USD~~

~~3.3 Certain Specific Standard Terms of each FCM ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:~~

~~(1) Date of Annex A (Section 4.2):~~

~~Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.~~

~~(2) Reference Currency (Section 1.19):~~

~~To be determined by using the EMTA Template appropriate to the particular Currency Pair.~~

~~Calculation Agent (Section 1.3):~~

~~(3) — The Clearing House is the Calculation Agent.~~

~~3.4 — If the terms of an EMTA Template conflict with these FCM ForexClear Contract Terms, these FCM ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.~~

#### ~~4. — General Standard Terms (“General Standard Terms”)~~

~~The following terms are designated as General Standard Terms of a registered FCM ForexClear Contract:~~

##### ~~4.1 — Business Days~~

~~For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract.~~

##### ~~4.2 — Withholding Tax Provisions~~

~~4.2.1 — All payments due under an FCM ForexClear Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~4.2.2 — All payments due under an FCM ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

##### ~~4.3 — Payment of Stamp Tax~~

~~Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any FCM ForexClear Contract to which it is a party 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 will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM ForexClear Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.~~

#### ~~4.4 — Payments under an FCM ForexClear Contract~~

~~Payments under, and in respect of, an FCM ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM ForexClear Clearing Member in accordance with the provisions of the FCM Procedures.~~

#### ~~4.5 — FCM Regulations~~

~~An FCM ForexClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM ForexClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### ~~4.6 — Governing Law~~

~~Each FCM ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~4.7 — Third Party Rights~~

~~A person who is not a party to this FCM ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM ForexClear Contract are expressly excluded.~~

### Part B

#### ~~Registration of an FCM ForexClear Contract – Product Eligibility Criteria~~

##### ~~1. — Registration of an FCM ForexClear Contract~~

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) ~~the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;~~
- (b) ~~each party to the transaction is an Executing Party; and~~
- (c) ~~the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.~~

~~and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.~~

## ~~2. FCM ForexClear Product Eligibility Criteria for an FCM ForexClear Contract~~

<b>Instrument</b>	<del>Non-Deliverable FX Transaction</del>
<b>Economic Terms</b>	<del>The transaction particulars submitted to the Clearing House specify all the Economic Terms.</del>
<b>Reference Currency</b>	<del>One of</del>
	<del>1. BRL—Brazilian Real,</del>
	<del>2. RUB—Russian Rouble,</del>
	<del>3. INR—Indian Rupee,</del>
	<del>4. CLP—Chilean Peso,</del>
	<del>5. CNY—Chinese Yuan,</del>
	<del>6. KRW—South Korean Won,</del>
	<del>7. COP—Colombian Peso,</del>
	<del>8. IDR—Indonesian Rupiah,</del>
	<del>9. MYR—Malaysian Ringgit,</del>
	<del>10. PHP—Philippine Peso, or</del>
	<del>11. TWD—Taiwan Dollar.</del>
<b>Valuation Date</b>	<del>A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.</del>
<b>Settlement Date</b>	<del>A date falling:</del>
	<del>A. not earlier than the date falling three business days immediately following the Submission Date; and</del>
	<del>B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation</del>

	<del>Date and (iii) determined as set out in the relevant EMTA Template</del>
<del>Settlement Type</del>	<del>Non-Deliverable</del>
<del>Settlement Currency</del>	<del>USD</del>
<del>Calculation Agent</del>	<del>The Clearing House</del>

## **SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA**

### **Part A**

#### **FCM EnClear Contract Terms**

~~Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these “Contract Terms”) which shall comprise:~~

- ~~(1) — Interpretation and Definitions;~~
- ~~(2) — Economic Terms;~~
- ~~(3) — Specific Standard Terms\*; and~~
- ~~(4) — General Standard Terms~~

#### **SECTION 1 — Interpretation and Definitions: General**

~~1.1 — [This section has been removed.]~~

~~1.2 — Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the “FCM Rulebook” of the Clearing House (as defined in the Clearing House’s “FCM Regulations”).~~

~~1.3 — The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non-receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.~~

~~1.4 — In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~1.5 — Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~1.6 — Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~1.7 — “US Business Day” means a day upon which banks in the United States of America are generally open to settle payments and for general business. “UK Business Day” means a day upon which banks in England and Wales are generally open to settle payments and for general business.~~

## ~~SECTION 2 — Economic Terms~~

~~2.1 — The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

~~2.2 — It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.~~

~~2.3 — The Economic Terms comprise:~~

- ~~(a) — Fixed Rate Payer or seller;~~
- ~~(b) — Floating Rate Payer or buyer;~~
- ~~(c) — Contract;~~
- ~~(d) — Contract Series;~~
- ~~(e) — Quantity;~~
- ~~(f) — Delivery Period (where applicable);~~
- ~~(g) — Fixed Price or Traded Price (as the case may be);~~
- ~~(h) — Floating Price (where applicable).~~

~~PROVIDED, however, that, as set out in FCM Regulation 50 where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller (“the First EnClear Clearing Member”) with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer (“the Second EnClear Clearing Member”) the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.~~

## ~~SECTION 3 — Specific Standard Terms For FCM EnClear Contracts~~

~~[Sections 3.1 and 3.2 no longer in force]~~

### ~~3.3 — LCH EnClear OTC Services: Energy Division~~

~~[Section 3.3 not applicable to the FCM EnClear Service]~~



### ~~3.4 — LCH EnClear OTC Services: Freight Division~~

~~Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

### ~~3.5 — LCH EnClear OTC Services: Precious Metals Division~~

~~{Section 3.5 not applicable to the FCM EnClear Service}~~

## ~~SECTION 4 — General Standard Terms~~

~~4A. — The following General Standard Terms apply to all FCM EnClear Contracts:~~

### ~~4.A.1 — Payment of Stamp Tax and Other Taxes~~

- ~~(a) — All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.~~
- ~~(b) — The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~
- ~~(c) — The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.~~

### ~~4.A.2 — Payment of Stamp Tax~~

~~The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party 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.~~

~~The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

### ~~4.A.3 — Payments under an FCM EnClear Contract~~

~~The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.~~

~~Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing~~

~~Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.~~

#### ~~4.A.4 — FCM Regulations~~

~~This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### ~~4.A.5 — Governing Law~~

~~This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~4.A.6 — Third Party Rights~~

~~A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.~~

~~4B. — [Section 4B not applicable to the FCM EnClear Service]~~

~~4C. — The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):~~

#### ~~4C.1 — Unavailability of any Reference Price~~

~~In the event that **the Clearing House is unable**, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.~~

#### ~~4.C.2 — Calculation Agent~~

~~The Calculation Agent is the Clearing House.~~

#### ~~4.C.3 — Change in Route~~

~~In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.~~

**Part B****Product Eligibility Criteria for Registration of an FCM EnClear Contract****~~1. FCM EnClear Transactions~~**~~(a)~~**~~1.2 FCM EnClear Product Eligibility Criteria for FCM EnClear Transactions~~**~~1.2.1 [This section has been removed]~~~~1.2.2 [This section has been removed]~~**~~1.2.3 Product Eligibility Criteria for FCM EnClear Transactions in the Freight Division~~**

~~The parts of Section 1.2.3 of Part B of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations relating to the Freight Division are incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

**LCH.Clearnet Rule Submission**

**Exhibit 3**  
**Black-line of changes to FCM Procedures**

**CONTENTS**



**FCM PROCEDURES OF  
THE CLEARING HOUSE**

**LCH.CLEARNET LIMITED**

**CONTENTS**

<u>Clause</u>	<u>Page</u>
<b>FCM PROCEDURES</b> .....	i
<b>1. FCM Clearing Member Status</b> .....	1
<b>1.1 FCM Clearing Member Application Procedure</b> .....	1
<b>1.2 Net Capital</b> .....	6
<b>1.3 Calculation Of Net Capital</b> .....	6
<b>1.4 Reporting</b> .....	7
<b>1.5 Additional Requirements</b> .....	8
<b>1.6 Other Conditions</b> .....	9
<b>2. Product Specific Procedures</b> .....	2
<b>2A SWAPCLEAR</b> .....	3
<b>2A.1 The Clearing Process</b> .....	3
<b>2A.2 Operating Times And Calendars</b> .....	4
<b>2A.3 Registration</b> .....	5
<b>2A.4 Position Accounts</b> .....	15
<b>2A.5 Financial Accounts</b> .....	16
<b>2A.6 FCM SwapClear Contract Valuation</b> .....	17
<b>2A.7 Coupon Payments</b> .....	19
<b>2A.8 Initial Margin</b> .....	34
<b>2A.9 Intra Day Margin Call: Collateral Management</b> .....	36
<b>2A.10 Compression</b> .....	36
<b>2A.11 Affiliate Clearing</b> .....	37
<b>2A.12 Transfers of FCM Clients; Defaulting FCM Clients and Affiliates</b> .....	37
<b>2A.13 Proprietary Account Position Transfers</b> .....	42
<b>2A.14 Amendment of Trade References</b> .....	45
<b>2A.15 Default Management</b> .....	47
<b>2A.16 Payment of Stamp Tax</b> .....	55
<b>2A.17 Section 696, Corporation Tax Act 2009</b> .....	55
<b>APPENDIX 2A.A</b> .....	57
<b>SWAPCLEAR PROCESSING SCHEDULE</b> .....	57
<b>APPENDIX 2A.B</b> .....	59
<b>FCM CLIENT PARTIAL TRANSFER FORM</b> .....	59
<b>APPENDIX 2A.C</b> .....	64
<b>FCM CLIENT FULL TRANSFER FORM</b> .....	64
<b>APPENDIX 2A.D</b> .....	68
<b>FCM CLIENT TRANSFER CARRY FCM CLEARING MEMBER REPOSSES FORM</b> .....	68

APPENDIX 2A.E.....	72
CONFIDENTIALITY, NON DISCLOSURE AND PARTICIPATION IN THE DEFAULT MANAGEMENT GROUP.....	72
<del>2B—FOREXCLEAR.....</del>	<del>77</del>
<del>2B.1—Introduction and Interpretation.....</del>	<del>78</del>
<del>2B.2—Users of FCM ForexClear.....</del>	<del>78</del>
<del>2B.3—Termination of FX FCM Status.....</del>	<del>78</del>
<del>2B.4—Service Scope.....</del>	<del>78</del>
<del>2B.5—Position Accounts.....</del>	<del>79</del>
<del>2B.6—Financial Accounts.....</del>	<del>80</del>
<del>2B.7—Novation and Registration.....</del>	<del>92</del>
<del>2B.8—Trade Validation and Registration.....</del>	<del>95</del>
<del>2B.9—Market Data.....</del>	<del>104</del>
<del>2B.10—FCM ForexClear Contract Valuation.....</del>	<del>107</del>
<del>2B.11—Initial Margin (“IM”).....</del>	<del>109</del>
<del>2B.12..... Additional Margin, MER Buffer, MCE and Intraday Margin Calls</del>	<del>111</del>
<del>2B.13—Initial Margin Management Events Service (“IMMES”).....</del>	<del>113</del>
<del>2B.14—Intra-Day Margin Call: Collateral Management.....</del>	<del>114</del>
<del>2B.15—General Margining Process.....</del>	<del>114</del>
<del>2B.16—Types of Margin Runs.....</del>	<del>115</del>
<del>2B.17—Margin Run Process.....</del>	<del>115</del>
<del>2B.18—Transfer of FCM Clients; Defaulting FCM Clients and Affiliates.....</del>	<del>116</del>
<del>2B.19—Proprietary Account Position Transfers.....</del>	<del>123</del>
<del>2B.20—FCM Clearing Member’s Client Fund Transfer.....</del>	<del>123</del>
<del>2B.21—ForexClear Reporting.....</del>	<del>124</del>
<del>2B.22—Treasury Operations &amp; Collateral Management.....</del>	<del>126</del>
<del>2B.23—Default Management.....</del>	<del>127</del>
<del>2B.24—Payment of Stamp Tax.....</del>	<del>134</del>
<del>2B.25—Section 696, Corporation Tax Act 2009.....</del>	<del>135</del>
<del>2C—ENCLEAR.....</del>	<del>155</del>
<del>2C.1—General Matters.....</del>	<del>157</del>
<del>2C.2—Freight Division.....</del>	<del>177</del>
<del>2C.3—Option Exercise and Expiry.....</del>	<del>181</del>
<del>2D—THE FCM NODAL CLEARING SERVICE.....</del>	<del>182</del>
<del>3.—FINANCIAL TRANSACTIONS.....</del>	<del>193</del>
<del>3.1—Accounts.....</del>	<del>194</del>
<del>3.2—Protected Payments System (PPS).....</del>	<del>196</del>
<del>3.3—Acceptable Forms Of Collateral.....</del>	<del>201</del>

<b>3.4</b>	<b>Distribution Of Collateral</b>	203
<b>3.5</b>	<b>Interest And Accommodation Charge Structure</b>	205
<b>3.6</b>	<b>Fees</b>	209
<b>3.7</b>	<b>Default Fund; SwapClear Contributions</b>	209
<b>3.8</b>	<b>Quantifying SwapClear Contributions</b>	209
<b>3.9</b>	<b>Default Fund; ForexClear Contributions</b>	210
<b>3.10</b>	<b>Quantifying ForexClear Contributions</b>	210
<b>3.11</b>	<b>Default Fund Contributions and Loss Distribution Charges: EnClear Service and Nodal Service</b>	210
	<b>APPENDIX 3A</b>	212
	<b>BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM</b>	212
	<b>APPENDIX 3B</b>	214
	<b>BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM</b>	214
	<b>APPENDIX 3C</b>	218
	<b>BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM</b>	218
	<b>APPENDIX 3D</b>	220
	<b>MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS</b>	220
<b>4.</b>	<b>COLLATERAL</b>	222
<b>4.1</b>	<b>General Information</b>	223
<b>4.2</b>	<b>Securities</b>	227
<b>4.3</b>	<b>Instructions via the Collateral Management System</b>	227
<b>4.4</b>	<b>Triparty Service with Euroclear, Clearstream and BNY Mellon</b>	230
<b>4.5</b>	<b>Withholding Taxes</b>	232
<b>4.6</b>	<b>References</b>	236
<b>4.7</b>	<b>Contingency arrangements</b>	236
<b>4.8</b>	<b>Return of Unallocated Excess and FCM Buffer</b>	236
<b>4.9</b>	<b>Collateral Value Reports</b>	236
	<b>APPENDIX 4A</b>	239
	<b>FCM Client Account Lodgment Form</b>	240
	<b>APPENDIX 4B</b>	242
	<b>Contingency FCM House Account Lodgment Form</b>	243
	<b>APPENDIX 4C</b>	245
	<b>Contingency Collateral Release Form</b>	246
	<b>Appendix 4D</b>	248
	<b>Settlement Accounts</b>	249
	<b>APPENDIX 4E</b>	250
	<b>Contingency Member Triparty Lodgement Form</b>	250
	<b>APPENDIX 4F</b>	258
	<b>Contingency Member Triparty Amendment Form</b>	258



APPENDIX 4G .....	260
Contingency Member Triparty Closing Form .....	261
APPENDIX 4H .....	266
Contingency Member Triparty Lodgement Form .....	266
APPENDIX 4I .....	268
Contingency Member Triparty Amendment Form .....	269
APPENDIX 4J .....	271
Contingency Member Triparty Closing Form .....	272
APPENDIX 4K .....	276
Contingency Member Triparty Lodgement Form .....	276
APPENDIX 4L .....	278
Contingency Member Triparty Amendment Form .....	279
APPENDIX 4M .....	281
Contingency Member Triparty Closing Form .....	282
APPENDIX 4N .....	286
Contingency Member Triparty Lodgement Form .....	286
APPENDIX 4O .....	288
Contingency Member Triparty Amendment Form .....	289
APPENDIX 4P .....	291
Contingency Member Triparty Closing Form .....	292
<b>5.— BUSINESS RECOVERY .....</b>	<b>293</b>
<b>5.1— Recovery Situations .....</b>	<b>295</b>
<b>5.2— Recovery Situations Affecting Members' Offices .....</b>	<b>295</b>
<b>5.3— Aldgate House Evacuation .....</b>	<b>296</b>
<b>5.4— Clearing House Data Centre .....</b>	<b>300</b>
<b>5.5— Compliance with Business Continuity Testing .....</b>	<b>300</b>
<b>6.— APPEAL PROCEDURES .....</b>	<b>300</b>
<b>6.1— Introduction .....</b>	<b>301</b>
<b>6.2— Decisions In Respect Of Which An Appeal May Be Lodged .....</b>	<b>301</b>
<b>6.3— Initiating An Appeal .....</b>	<b>301</b>
<b>6.4— The First Tier Appeal .....</b>	<b>302</b>
<b>6.5— The Second Tier Appeal .....</b>	<b>303</b>
<b>6.6— Requests For Review .....</b>	<b>305</b>
<b>6.7— Market Disorders etc. and Default .....</b>	<b>306</b>
APPENDIX 6A .....	307
APPEAL FORM .....	307
APPENDIX 6B .....	309
NOTICE OF FURTHER APPEAL .....	309
<b>7.— COMPLAINTS .....</b>	<b>311</b>

<b>7.1</b>	<b>Introduction</b>	313
<b>7.2</b>	<b>How To Make A Complaint</b>	313
<b>7.3</b>	<b>Internal Investigation And Review By The Clearing House</b>	314
<b>7.4</b>	<b>Referral To An Independent Investigator</b>	315
<b>7.5</b>	<b>Procedure For Dealing With The Complaint</b>	316
<b>7.6</b>	<b>Outcomes</b>	316
<b>8.</b>	<b>DISCIPLINARY PROCEEDINGS</b>	317
<b>8.1</b>	<b>SCOPE OF THIS PROCEDURE</b>	317
<b>8.2</b>	<b>INVESTIGATION PROCEDURE</b>	318
<b>8.3</b>	<b>IMMEDIATE MEASURE</b>	325
<b>8.4</b>	<b>SANCTIONS</b>	326
<b>8.5</b>	<b>DISPUTING A DECISION</b>	326
<b>8.6</b>	<b>REPORTING AND PUBLICATION</b>	326
<b>8.7</b>	<b>INFRINGEMENT OF APPLICABLE LAW</b>	327
<b>1.</b>	<b>FCM Clearing Member Status</b>	1
1.1	FCM Clearing Member Application Procedure	1
1.2	Criteria for FCM Clearing Member Status	3
1.3	Termination of FCM Clearing Member Status	5
1.4	Net Capital	6
1.5	Calculation Of Net Capital	6
1.6	Reporting	7
1.7	Additional Requirements	8
1.8	Other Conditions	9
<b>2.</b>	<b>Product-Specific Procedures</b>	2
2.1	SWAPCLEAR	3
	Schedule 2.1A Swapclear Processing Schedule	58
	Schedule 2.1B FCM Client – Partial Transfer Form	60
	Schedule 2.1C FCM Client – Full Transfer Form	64
	Schedule 2.1D FCM Client Transfer – Carry FCM Clearing Member Reponses Form	68
	Schedule 2.1E Confidentiality, Non-Disclosure and Participation in the Default Management Group	72
2.2	FOREXCLEAR	78
	Schedule 2.2A FCM Client – Partial Transfer Form	137
	Schedule 2.2B FCM Client – Full Transfer Form	139
	Schedule 2.2C FCM Client Transfer – Carry FCM Clearing Member Reponses Form	146
	Schedule 2.2D Confidentiality, Non-Disclosure and Participation in the ForexClear Default Management Group	150
2.3	ENCLEAR	157

2.4	NODAL .....	183
3.	Financial Transactions.....	194
3.1	Accounts.....	194
3.2	Protected Payments System (PPS) .....	196
3.3	Acceptable Forms Of Cover.....	201
3.4	Distribution Of Collateral.....	203
3.5	Interest and Accommodation Charge Structure .....	205
3.6	Fees.....	209
3.7	Default Fund; SwapClear Contributions .....	209
3.8	Quantifying SwapClear Contributions .....	209
3.9	Default Fund; ForexClear Contributions.....	210
3.10	Quantifying ForexClear Contributions.....	210
3.11	Default Fund Contributions and Loss Distribution Charges: FCM EnClear Clearing Service and FCM Nodal Clearing Service .....	210
3.12	Clearing House Reporting .....	212
	Schedule 3A Bank Participants in the London Protected Payments System .....	213
	Schedule 3B Bank Participants in the London Protected Payments System .....	214
	Schedule 3C Bank Participants in the US Protected Payments System.....	218
	Schedule 3D Mandate for LCH.Clearnet Limited: Clearing Operations .....	220
4.	Collateral .....	223
4.1	General Information .....	223
4.2	Securities .....	227
4.3	Instructions via the CMS .....	227
4.4	Settlement Procedures – Securities .....	228
4.5	Triparty Service with Euroclear, Clearstream and BNY Mellon .....	230
4.6	Withholding Taxes .....	232
4.7	References .....	236
4.8	Contingency Arrangements .....	236
4.9	Return of Unallocated Excess and FCM Buffer.....	236
4.10	Collateral Value Reports .....	236
	Schedule 4A FCM Client Account Lodgment Form.....	239
	Schedule 4B Contingency FCM House Account Lodgment Form.....	242
	Schedule 4C Contingency Collateral Release Form .....	245
	Schedule 4D Settlement Accounts .....	248
	Schedule 4E Contingency Member Triparty Lodgement Form .....	253
	Schedule 4F Contingency Member Triparty Amendment Form.....	257
	Schedule 4G Contingency Member Triparty Closing Form .....	260
	Schedule 4H Contingency Member Triparty Lodgement Form .....	263

<u>Schedule 4I Contingency Member Triparty Amendment Form .....</u>	<u>268</u>
<u>Schedule 4J Contingency Member Triparty Closing Form.....</u>	<u>271</u>
<u>Schedule 4K Contingency Member Triparty Lodgement Form .....</u>	<u>273</u>
<u>Schedule 4L Contingency Member Triparty Amendment Form .....</u>	<u>278</u>
<u>Schedule 4M Contingency Member Triparty Closing Form.....</u>	<u>281</u>
<u>Schedule 4N Contingency Member Triparty Lodgement Form .....</u>	<u>283</u>
<u>Schedule 4O Contingency Member Triparty Amendment Form .....</u>	<u>288</u>
<u>Schedule 4P Contingency Member Triparty Closing Form .....</u>	<u>291</u>
<u>5. Business Continuity.....</u>	<u>295</u>
<u>5.1 Recovery situations .....</u>	<u>295</u>
<u>5.2 Recovery situations affecting FCM Members' Ability to Perform Clearing Activities .....</u>	<u>295</u>
<u>5.3 Principal Office evacuation.....</u>	<u>296</u>
<u>5.4 Clearing House data center.....</u>	<u>300</u>
<u>5.5 Compliance with Business Continuity Testing .....</u>	<u>300</u>
<u>6. Appeal Procedures.....</u>	<u>301</u>
<u>6.1 Introduction .....</u>	<u>301</u>
<u>6.2 Decisions in respect of which an appeal may be lodged.....</u>	<u>301</u>
<u>6.3 Initiating an appeal .....</u>	<u>301</u>
<u>6.4 The first tier appeal.....</u>	<u>302</u>
<u>6.5 The second tier appeal .....</u>	<u>303</u>
<u>6.6 Requests for review .....</u>	<u>305</u>
<u>6.7 Market disorders etc. and default .....</u>	<u>306</u>
<u>Schedule 6A Appeal Form .....</u>	<u>307</u>
<u>Schedule 6B Notice of Further Appeal .....</u>	<u>309</u>
<u>7. Complaints.....</u>	<u>313</u>
<u>7.1 Introduction .....</u>	<u>313</u>
<u>7.2 How to make a complaint.....</u>	<u>313</u>
<u>7.3 Internal investigation and review by the Clearing House .....</u>	<u>314</u>
<u>7.4 Referral to an independent investigator.....</u>	<u>315</u>
<u>7.5 Procedure for dealing with the complaint .....</u>	<u>316</u>
<u>7.6 Outcomes.....</u>	<u>316</u>
<u>8. Disciplinary Proceedings.....</u>	<u>318</u>
<u>8.1 Scope of this procedure .....</u>	<u>318</u>
<u>8.2 Investigation procedure .....</u>	<u>318</u>
<u>8.3 Immediate measure.....</u>	<u>325</u>
<u>8.4 Sanctions .....</u>	<u>326</u>
<u>8.5 Disputing a decision .....</u>	<u>326</u>

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<u>8.6</u>	<u>Reporting and publication .....</u>	<u>326</u>
<u>8.7</u>	<u>Infringement of applicable law.....</u>	<u>327</u>

Except where the context otherwise requires, defined terms used herein have the meaning ascribed to them in the FCM Regulations or in other portions of the FCM Rulebook.

## 1. FCM CLEARING MEMBER STATUS

### 1.1 FCM Clearing Member Application Procedure

- (a) **Application Procedure:** An application for FCM Clearing Member status of the Clearing House must be made on the appropriate form which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where ~~required~~necessary and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for FCM Clearing Member status ("Approved Applicants") must, within three months of notification of their approval ~~as an applicant~~, fulfill all conditions attached to their approval. If an Approved Applicant does not fulfill all such conditions within ~~these~~ three-month period ~~months~~, the Clearing House may, at its sole discretion, ~~require that an Approved Applicant re-apply for~~ consider the grant of approval to have lapsed and may notify the prospective FCM Clearing Member status accordingly that they will be required to provide further information following which the application will be submitted for re-approval.

~~Approved Applicants will become~~ FCM Clearing Members with~~have~~ the right to apply for approval to clear one or more ~~Products (categories of FCM Contracts as defined in the FCM Regulations).~~ Separate approval from markets cleared by the Clearing House ~~is required in order to clear each Product. An existing FCM, subject to meeting the requirements of the Clearing Member may apply to clear additional Products that it does not currently clear~~ House in respect of each such market. Please note that FCM Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA sections of the LCH.Clearnet website for further details.

- (b) **FCM Clearing Member Sstatus:** The terms and conditions binding on each FCM Clearing Member are set out in the FCM Rulebook (which includes these FCM Procedures), the FCM Clearing Membership Agreement, the FCM Default Management Process Agreement and the FCM Default Fund Agreement, each as amended from time to time. Two copies of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement will be provided to the applicant who must sign both copies of each (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for FCM Clearing Member status and is non-refundable.

If and when FCM Clearing Member status is granted, new FCM Clearing Members will receive a duly executed (and dated) copy of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement together with the notification of acceptance and details of any condition(s) attached to FCM Clearing Member status. If granted, FCM Clearing Member status is subject to ~~a Contribution~~the making of Contributions to the ~~Default Fund~~default fund(s) of the Clearing House ~~(DF)~~,related to FCM Clearing Services cleared by the relevant FCM Clearing Member, as determined by the Clearing House under the Default ~~Fund~~ Rules.

(c) **Conditions of Application:** An applicant for FCM Clearing Member status must accept that the Clearing House:

(i) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;

(ii) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;

(iii) is entitled to provide and/or disclose information to an Exchange, governmental department, regulatory organization, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the CEA, any rules promulgated thereunder, or in accordance with any other statutory or regulatory requirement, and in accordance with the terms of the FCM Clearing Membership Agreement;

(iv) may disclose to any other party the name, address, registered number and details of any Exchange or clearing memberships held or applied for; and

(v) will endeavor to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

### General

(d) ~~An applicant must, in accordance with the FCM Regulations satisfy the criteria set out in the FCM Regulations and these FCM Procedures in order to be considered for FCM Clearing Member status. These requirements~~12 U.S.C. § 5390(a)(6): Where an FCM Clearing Member is a financial company as such term is defined in 12 U.S.C. § 5381(a)(11) it shall comply with the requirements of 12 U.S.C. § 5390(a)(6) with respect to the execution of the FCM Clearing Membership Agreement and each FCM Transaction that is cleared pursuant to the FCM Clearing Membership Agreement and the FCM Rulebook (and the grant of any related security interest to the Clearing House) and it shall be deemed to have confirmed that it complies with 12 U.S.C. § 5390(a)(6) each time that an FCM Transaction is submitted for clearing and it

delivers Collateral to the Clearing House. For the avoidance of doubt, individual transactions need not be specifically approved by the FCM Clearing Member's board of directors or any committee thereof so long as they are entered into pursuant to an FCM Clearing Membership Agreement which was approved by the FCM Clearing Member's board or the loan committee thereof.

- (e) An FCM Clearing Member that is a financial company as such term is defined in 12 U.S.C. § 5381(a)(11) is further required: (i) from the date of entry into the FCM Clearing Membership Agreement (and the grant of any related security interest to the Clearing House), to maintain the FCM Clearing Membership Agreement continuously as an official record of that FCM Clearing Member; and (B) from the date of submission of an FCM Transaction for clearing (and the grant of any related security interest to the Clearing House), maintain each agreement evidencing each such FCM Transaction continuously as an official record of that FCM Clearing Member.

## 1.2 Criteria for FCM Clearing Member Status

### 1.2.1 General

The Clearing House imposes certain criteria and requirements in relation to FCM Clearing Member status. The relevant criteria have, in all cases, been established by the Clearing House so as to be non-discriminatory and objective and so as to ensure fair and open access by FCM Clearing Members (whether existing or potential) to the Clearing House.

The relevant criteria are without prejudice to the provisions of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement which must be executed by the applicant, and must equally be met by FCM Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time. Where the Clearing House refuses an application it will provide a written justification for such refusal. FCM Clearing Members are referred to the Clearing House's website at [•]<sup>1</sup> for further information about the relevant internal risk management policies and procedures.

FCM Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related Exchange or FCM Approved Trade Source System membership requirements are met, but cannot be operational until such requirements are satisfied.

The applicant, any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the marketmarkets and contracts they wish to clear.

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<sup>1</sup> LCH to insert website reference.



The applicant must satisfy the minimum ~~Net Capital~~net capital requirements, as set out in the FCM Regulations or such greater amounts as may be required by the Clearing House.

The applicant must open a Protected Payments System (PPS) bank account~~(s)~~ at one or more of the bank branches participating in the PPS system:

(i) ~~(i)~~—in London in each currency including in US dollars and GBP; and

(ii) ~~(ii)~~—in the USA in US dollars, and

and must execute all necessary PPS mandates documentation (see Protected Payments System section of the LCH.Cleernet website for further information) in order to manage and open its House and Client accounts.

FCM Clearing Members must ensure that they have contingency arrangements in place to ensure that they will continue to meet their margin obligations in the event of failure of their nominated PPS bank(s).

The applicant must maintain a back office:

(i) ~~(i)~~—remote from both the trading ~~desk~~floor and/or trading desks;

(ii) ~~(ii)~~—with adequate systems (including but not limited to computer and communications systems) and records;

(iii) ~~(iii)~~—with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the ~~applicant~~FCM Clearing Member participates; and

(iv) ~~(iv)~~—with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by any relevant Exchange.~~(s)~~.

Applicants for FCM Clearing Member status and FCM Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require applicant FCM Clearing Members to demonstrate compliance with the applicable FCM clearing membership criteria and/or applicable laws and regulations.

FCM Clearing Members are required to promptly notify or pre-notify the Clearing House of any changes which may result in non-compliance with the Clearing Member status criteria as stated in these FCM Procedures.

*Termination of FCM Clearing Member Status:* In the event that an FCM Clearing Member wishes to ~~terminate its~~retire from FCM Clearing Member status, it may do so by giving written notice ~~o~~to the Clearing House not less than three months ahead of ~~its~~the proposed termination date. By the close of

business on the proposed termination date, the ~~FCM Clearing~~Retiring Member shall ensure that all ~~registered~~ FCM Contracts ~~in its~~registered in the Retiring Member's name have been closed-out or transferred so as to ensure that there are no ~~Open~~open FCM Contracts to which ~~it~~the Retiring Member is a party ~~to~~ at the proposed termination date. ~~A resigning FCM Clearing Member should note~~Once all such FCM Contracts have been closed-out or transferred, such Retiring Member shall be entitled to request that any ~~the~~the Clearing House releases and ~~all Executing Parties~~returns to it any collateral held by the Clearing House for which it clears FCM Transactions will be required to find alternative clearing arrangements by this date or will be unable to enter into FCM Transactions unless such Executing Party already has other clearing arrangements in placesuch Retiring Member. For further information on the ~~resignation~~retirement process, FCM Clearing Members should contact the Clearing House's<sup>2</sup> Membership Department.

If an FCM Clearing Member has not been active ~~in~~on any exchange or market for a continuous period of three months, ~~it~~they will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they ~~may~~will be ~~required~~asked to ~~resign~~retire from FCM Clearing Member status.

FCM Clearing Members are required to notify promptly or pre-notify the Clearing House of any changes which may result in non-compliance with the FCM Clearing Member status criteria as stated in the FCM Regulations and these FCM Procedures.

### 1.3 Termination of FCM Clearing Member Status

1.3.1 In the event that an FCM Clearing Member wishes to retire from FCM Clearing Member status, it may do so by giving written notice to the Clearing House not less than three months ahead of the proposed termination date. By the close of business on the proposed termination date, the Retiring Member shall ensure that all FCM Contracts registered in the Retiring Member's name have been closed-out or transferred so as to ensure that there are no open FCM Contracts to which the Retiring Member is a party at the proposed termination date. Once all such FCM Contracts have been closed-out or transferred, such Retiring Member shall be entitled to request that the Clearing House releases and returns to it any cover held by the Clearing House for the purpose of collateralizing the Retiring Member's obligations. For further information on the retirement process, FCM Clearing Members should contact the Membership Department.

1.3.2 If an FCM Clearing Member has not been active on any exchange or market for a continuous period of three months, they will be asked to confirm that they intend to utilize their FCM Clearing Member status and failing a satisfactory response, they will be asked to retire from FCM Clearing Member status.

#### **4.21.4 Net Capital**

##### **4.2.1.4.1 Net Capital Requirements**

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

##### **4.2.2.1.4.2 Additional Net Capital Requirements**

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

The Clearing House shall, on a daily basis, compare the market risk associated with each FCM Clearing ~~Member's FCM Contracts~~ Member's level of business with their level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such FCM Clearing Member is sufficiently capitalized to support the level of risk associated with the FCM Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalized, the Clearing House may also consider:

- (a) 1. —the ratio of FCM Contracts entered into on behalf of an FCM Client compared to those entered for its own ~~account or that of an Affiliate~~ Proprietary Account;
- (b) 2. —the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
- (c) 3. —the total amount of Margin and Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

In the event that the Clearing House considers that the FCM Clearing Member is not sufficiently capitalized to support the level of risk associated with its open FCM Contracts, the Clearing House may perform one or more of the following:

- (a) 1. —require that the relevant FCM Clearing Member furnish the Clearing House with additional ~~cover~~ collateral; or
- (b) 2. —prevent or limit the extent to which an FCM Clearing Member may register additional FCM Contracts; or
- (c) 3. —require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

#### **4.31.5 Calculation Of Net Capital**

The net capital of FCM Clearing Members is calculated by the Clearing House in accordance with CFTC Regulation 1.17.

#### **1.41.6 Reporting**

FCM Clearing Members shall provide ~~(without limitation of any other provisions in the FCM Rulebook)~~ the information detailed ~~in this Section 1.4 to the below.~~

All FCM Clearing House.

#### **Provision of Information**

- (a) ~~Each FCM Clearing Member~~Members must, within six months from the date on which ~~its~~their annual accounts are made up, provide the Clearing House with an English-language copy of ~~its~~their income statement (or profit and loss statement) and balance sheet, together with a statement that ~~its~~their auditors have reviewed and approved them, in accordance with applicable law in the relevant jurisdiction ~~and, drawn up~~ in accordance with the requirements of CFTC Regulation 1.16 or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the FCM Clearing Member.
- (b) ~~Each~~All FCM Clearing Members must provide the Clearing House in a prompt and timely manner with:
- (i) copies of all financial returns/reports made to its regulators, and upon request from the Clearing House, any other notifications made to the CFTC as required under the CFTC Regulations (including CFTC Regulation 1.12);
  - (ii) those financial reports detailed in CFTC Regulation 1.10;
  - (iii) any information concerning any financial or business development that ~~that~~ the FCM Clearing Member reasonably considers may materially affect the ~~clearing member's~~FCM Clearing Member's ability to comply with the ~~FCM clearing~~applicable membership criteria or applicable laws or regulations;
  - (iv) copies of all reports that are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations;
  - (v) information and documents regarding the FCM Clearing Member<sup>2</sup>'s risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that FCM Clearing Member<sup>2</sup>'s financial resources and ~~their~~ settlement procedures;
  - (vi) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ~~on-going~~ongoing basis; and

(vii) notice if the FCM Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event to which it is required to notify the Clearing House under the FCM Clearing Membership Agreement or the FCM Rulebook.

In addition, and upon request from the Clearing House or the CFTC, each FCM Clearing Member shall promptly provide the information detailed in (v) above directly to the CFTC.

#### **1.4.21.6.2** *Reduction in Net Capital*

All FCM Clearing Members must immediately notify the Clearing House of any significant reduction (usually 10% per cent. or more), from the figures shown in their last financial returns, in:

(a) shareholders' funds; and

(b) net capital.

#### **1.51.7** *Additional Requirements*

##### **1.5.1.7.1** *Notification of Changes of Ownership*

FCM Clearing Members are required to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% per cent. or more of the voting power of the firm). ~~In~~ However, in cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in an FCM Clearing Member are not known to the Clearing House, FCM Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House ~~(LCH.Clearnet Limited).~~

**1.5.21.7.2** Each FCM Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant FCM Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, an FCM Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

**1.5.31.7.3** Pursuant to, and in accordance with, FCM Regulation ~~9~~ 14(n) (*Margin and Collateral*), where an FCM Client enters into an FCM Transaction that is non-hedging in nature, the relevant FCM Clearing Member shall collect from that FCM Client additional FCM Client Funds with a value that is:

(i)(a) in respect of FCM SwapClear Contracts, 10% per cent. above the amount that the Clearing House would normally require for such contracts;

~~(ii)~~(b) in respect of FCM ForexClear Contracts, 10% per cent. above the amount that the Clearing house would normally require for such contract;

~~(iii)~~(c) in respect of FCM EnClear Contracts, 10% per cent. above the amount that the Clearing House would normally require for such contracts; and

~~(iv)~~(d) in respect of FCM Nodal Contracts, 10% per cent above the amount that the Clearing House would normally require for such contracts.

For the avoidance of doubt, ~~this Section 1.5.3 and~~ FCM Regulation 914(n) (Margin and Collateral) and this Section 1.7.3 do not require that FCM Clearing Members furnish the Clearing House with Excess Margin.

#### **1.6.1.8 Other Conditions**

The Clearing House may, at any time, impose additional conditions ~~relating in relation~~ to continued FCM Clearing Member status, and at any time vary or withdraw any such conditions. ~~These, provided that any~~ conditions which restrict, or may be considered to have the effect of restricting, access of an FCM Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. FCM Clearing Members are referred to the Clearing House's website at [•] for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on an FCM Clearing Member may include, but are not limited to, a requirement to furnish additional ~~security in~~ cash or ~~other non-cash~~ Collateral to the Clearing House, as determined by the Clearing House.

## 2. **PRODUCT-SPECIFIC PROCEDURES**

Section ~~22~~ 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 ~~2A,0~~, the clearing of FCM ForexClear Contracts is discussed in Section ~~2B,2.2~~, the clearing of FCM EnClear Contracts is discussed in Section ~~2C,2.3~~, and the clearing of FCM Nodal Contracts is discussed in Section ~~2D,2.4~~.

## ~~2.1~~ ~~FCM~~ SWAPCLEAR

### ~~2A~~ ~~SWAPCLEAR~~

#### ~~2.1.1~~ ~~2A.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.

~~Only FCM Clearing Members are authorized by the Clearing House to submit trades for clearing in the FCM SwapClear Service.~~

#### ~~(a)~~ ~~2A.1.1~~ *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- ~~(i)~~ ~~(a)~~ — processing and settlement of coupon payments;
- ~~(ii)~~ ~~(b)~~ — processing and settlement of consideration (fee) payments;
- ~~(iii)~~ ~~(c)~~ — calculation of initial and variation margin requirements;
- ~~(iv)~~ ~~(d)~~ — calculation of MER amounts and SwapClear Tolerance Limits;
- ~~(v)~~ ~~(e)~~ — calculation of Price Alignment Interest;
- ~~(vi)~~ ~~(f)~~ — adjustment of cash payments to conform with ~~Opening Days~~opening days and the SwapClear ~~C~~calendars;
- ~~(vii)~~ ~~(g)~~ — allocation and designation of trades to a position-keeping account; and
- ~~(viii)~~ ~~(h)~~ — 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 ~~2A.3.5~~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 ~~2A.1.3~~2.1.1(c)).

#### ~~(b)~~ ~~2A.1.2~~ *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) ~~2A.1.3~~ *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 SwapClear 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) ~~2A.2~~ *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) ~~2A.2.1~~ *Opening Days*

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

(b) ~~2A.2.2~~ *Opening Hours*

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

07:30 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 00:01 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) ~~2A.2.3~~ *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 ~~2A.1.3~~ 2.1.1(c)).

~~2.1.3~~ ~~2A.3~~ *Registration*

(a) ~~2A.3.1~~ *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) ~~2A.3.2~~ *Conditions to Registration*

~~2A.3.2.1~~ 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 SwapClear 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 ~~30(b)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 ~~2A.3.5~~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.

#### ~~2A.3.2.2~~ FCM US Trading Venue Transactions

In respect of an FCM US Trading Venue Transaction, the relevant FCM Clearing Member shall, pursuant to FCM Regulation ~~30~~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 ~~2A.2.1.3-1(a)~~ 2A.2.1.3-1(a) of these FCM Procedures.

In accordance with Section ~~2A.2.1.3-5(e)~~ 2A.2.1.3-5(e) of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract resulting from an FCM US Trading Venue Transaction that, no later than the Clearing House’s receipt of the relevant details of the FCM

SwapClear Transaction pursuant to Section ~~2A.2.1.3.1,(a)~~, both the FCM Clearing Members have 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.

~~(c) 2A.3.3-Trade Registration Facilitation: SwapClear Tolerance and Minimum — Excess Requirement (“MER”)~~

In order to facilitate the registration of new FCM SwapClear Transactions by FCM Clearing Members, the Clearing House may require the furnishing of additional Margin from those FCM Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may offer SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including an FCM Clearing Member's credit rating and risk profile, an analysis of the incremental risk registered by an FCM Clearing Member during an historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to an FCM Clearing Member, whether the FCM Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different FCM Clearing Members.

SwapClear Tolerance:

If an FCM Clearing Member has not furnished sufficient Margin to enable the registration of an FCM SwapClear Contract, then the Clearing House may provide such FCM Clearing Member with temporary “tolerance” in the form of Initial Margin forbearance (“**SwapClear Tolerance**”) to enable such registration. An FCM Clearing Member may utilize SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the Initial Margin that would have been required to cover that FCM Clearing Member's Initial Margin requirements for newly registered FCM SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary Initial Margin forbearance and an FCM Clearing Member's utilization of SwapClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of Default Fund resources (except following a default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the

**“SwapClear Tolerance Limit”**) which it will make available to an FCM Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to an FCM Clearing Member at the Clearing House's sole discretion. The Clearing House may adjust the value of an FCM Clearing Member's SwapClear Tolerance Limit, and/or require an FCM Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant FCM Clearing Member. The Clearing House will provide each FCM Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, an FCM Clearing Member will typically be required to furnish Initial Margin in respect of any SwapClear Tolerance utilized by it in the margin run immediately following the time of the relevant registration of an FCM SwapClear Contract where SwapClear Tolerance was utilized.

Any failure of an FCM Clearing Member to satisfy an Initial Margin call relating to utilized SwapClear Tolerance may give rise to a default by such FCM Clearing Member — just as any failure by an FCM Clearing Member to satisfy any other type of Initial Margin call may give rise to a default.

Minimum Excess Requirement (**“MER”**):

The Clearing House has put in place arrangements (the **“MER Arrangements”**) (which will be optional for FCM Clearing Members) under which it will be able to call from each relevant FCM Clearing Member an amount of Margin (the **“MER Cover”**), in respect of that FCM Clearing Member's potential Margin requirements (with respect to the registration of FCM SwapClear Contracts) for the following day.

The Clearing House will calculate MER for each participating FCM Clearing Member using the same methodology and will publish such methodology to FCM Clearing Members. The Clearing House will provide 30 days' notice before implementing any changes to the methodology used for calculating MER.

FCM SwapClear Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that an FCM Clearing Member wishes to change its participation status (the **“Participation Status”**) from opting in to the MER Arrangements to opting out, or vice versa, it should contact the Clearing House to request applicable documentation (swapclear.clientservices@lchclearnet.com). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. An FCM Clearing Member's Participation Status will remain unchanged

until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of an FCM Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such FCM Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each FCM Clearing Member participating in the MER Arrangements will be called for MER Cover separately in respect of its Proprietary Account and/or its FCM Omnibus SwapClear Client Account with LCH. MER Cover is part of an FCM Clearing Member's required Initial Margin. Hence, for the avoidance of doubt, failure to furnish MER Cover when required by the Clearing House will constitute a breach of these FCM Procedures and the FCM Regulations. MER Cover deposited to an FCM Omnibus SwapClear Client Account with LCH is credited to its FCM Buffer Sub-Account, and treated as FCM Buffer. Any FCM Buffer (but not including Encumbered FCM Buffer) maintained in an FCM Omnibus SwapClear Client Account with LCH at End of Day is credited towards the satisfaction of any MER requirements applicable to such account during the End of Day margin run.

As FCM SwapClear Contracts are registered to an FCM Clearing Member's relevant accounts, the Clearing House will apply any available MER Cover (which is treated as FCM Buffer when held in an FCM Omnibus SwapClear Client Account with LCH) as Initial Margin in respect of such newly registered FCM SwapClear Contracts prior to utilizing any available SwapClear Tolerance (if any).

At each End of Day margin run, the Clearing House will recalculate and call, on an account by account basis, Required Margin in respect of the MER requirements applicable to each FCM Clearing Member participating in the MER Arrangements on such day.

(d) 2A.3.4 SwapClear FCM Approved Trade Source Systems and FCM US Trading – Venues

2A.3.4.1(i) FCM Approved Trade Source Systems

Currently Application for FCM Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source Systems ~~designated currently approved~~ by the Clearing House for ~~SwapClear~~ are ~~MarkitWire, Bloomberg, Javelin, SwapEx, TeraExchange, Tradeweb and TrueExis~~ available on the Clearing House's website. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.



FCM SwapClear Transactions submitted through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable ~~endeavor~~efforts to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

#### 2A.3.4.2(ii) FCM US Trading Venues

While the Clearing House receives details of an FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to

Section ~~2A.2.1.3-1(a)~~ of these FCM Procedures, such FCM Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by an FCM US Trading Venue (where such FCM SwapClear Transaction is executed on such FCM US Trading Venue). Additionally, the Clearing House may rely on details relating to an FCM SwapClear Transaction obtained from an FCM US Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation ~~3045~~. In this regard, the Clearing House may direct the FCM US Trading Venues to use prescribed format messages or classifications.

Notwithstanding the approval by the Clearing House of any FCM US Trading Venues, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM US Trading Venue or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM US Trading Venue. Such matters form part of the relationship between the FCM Clearing Members and that FCM US Trading Venue.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM US Trading Venue on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, may register any FCM SwapClear Contract arising from such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and the relevant FCM US Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the FCM US Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM US Trading Venue to the Clearing House or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data recorded by it or sent to it by an FCM US Trading Venue, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

~~(e) 2A.3.5~~ *Registration of New Trades and Backloaded Trades*

~~(i) 2A.3.5.1~~ *New Trades:*

The following section does not apply to Backloaded Trades, which are dealt with in



~~Section 2A.3.5.22.1.3(e)(ii)~~ below.

As a precondition of registering an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is a Block IRS Trade, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be registered to furnish to the Clearing House no later than the Clearing House's receipt of the relevant FCM Acceptance or, where such FCM SwapClear Contract results from an FCM US Trading Venue Transaction, no later than the Clearing House's receipt of the relevant FCM SwapClear Transaction details (and thereafter maintain) sufficient Margin in respect of such FCM Contract.— In determining whether sufficient Margin for registration is available, the Clearing House will take into account any Available FCM Buffer, MER and SwapClear Tolerance. Available FCM Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance. In respect of an FCM SwapClear Contract resulting from an FCM SwapClear Transaction that is not a Block IRS Trade, the FCM Clearing Member in whose name such FCM SwapClear Contract is registered shall furnish the Clearing House with sufficient Margin in respect of such FCM SwapClear Contract at such time after the registration of such FCM SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing ~~(i)~~ (A) if the Clearing House registers a Block IRS Trade where one or both of the relevant FCM Clearing Members has not furnished sufficient Margin prior to registration, the FCM Clearing Members shall be bound by the terms of the FCM SwapClear Contract relating thereto arising under FCM Regulation ~~3045~~ (and in particular by paragraphs (c), (i) and (j) thereof) and any other applicable provision of the FCM Rulebook; and ~~(ii)~~ (B) if the Clearing House rejects an FCM SwapClear Transaction that is not a Block IRS Trade for insufficient Margin, ~~the~~ Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the FCM SwapClear Transaction on the correct basis but the Clearing House shall not be liable to any FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Transaction.

Upon an FCM SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in FCM Regulation ~~3045~~ (*Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts*) having been satisfied in respect of the related FCM SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear

Clearing Member reporting system (see Section ~~2A.1.3~~2.1.1(c)) on the SwapClear Clearing Member reporting account.——

~~(ii) 2A.3.5.2~~——Backloaded Trades:

An FCM SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a ~~B~~backloaded trade by the Clearing House (a “~~B~~**Backloaded Trade**”). Due to the nature of Backloaded ~~T~~Trades, FCM Clearing Members should note that a relatively large amount of cover is required in order to register such trades. The Clearing House provides the facility for FCM Clearing Members to load such eligible existing FCM SwapClear Transactions, through an FCM Approved Trade Source System (currently only MarkitWire). Where the Clearing House approves additional FCM Approved Trade Source Systems for these purposes, it will notify FCM Clearing Members via member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the FCM Clearing Member(s) and the SwapClear Clearing Member, if any, of the full particulars required by the Clearing House for each such FCM SwapClear Transaction.

At least once every Business Day, the Clearing House will carry out a process for the registration of Backloaded Trades (each, a “**Backload Registration Cycle**”) which have been submitted for clearing or with respect to which the Clearing House has received the one or more FCM Acceptances, if any. —Following each Backload Registration Cycle, the Clearing House will calculate the increase in Required Margin required to register the Backloaded Trade(s) and will notify each relevant FCM Clearing Member (the “**Backload Margin Call**”). The Backload Margin Call will be for the entire amount of Margin calculated by the increase in Required Margin, and the Backload Margin Call cannot be satisfied by and will not take into account SwapClear Tolerance (i.e., SwapClear Tolerance is not available for this purpose), or any available MER Cover, FCM Buffer or Excess ~~Cover~~Margin (other than that which has been expressly allocated for that purpose, as described in the paragraph below).— In connection with a Backload Margin Call, following the time that an FCM Clearing Member is required to furnish the Clearing House with the Margin associated with such Backload Margin Call (the “**Backload Margin Call Deadline**”), the Clearing House will issue such FCM Clearing Member a subsequent margin call to furnish Margin in respect of any ~~increase in~~ SwapClear Tolerance utilisation as of the time of the Backload Margin Call Deadline (if any).

Where an individual FCM Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change in the net present value of its portfolio of FCM SwapClear Contracts in excess of a threshold amount (the “~~Individual Backload Value Threshold~~”) as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the Backload

Registration Cycle. In the event that the Clearing House does not receive such notification and the change in net present value of the FCM Clearing Member's portfolio of FCM SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that FCM Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

Where an FCM Clearing Member notifies the Clearing House of a change in net present value in excess of the Individual Backload Value Threshold, the Clearing House shall inform the FCM Clearing Member whether it will be required to pre-fund the Backload Margin Call and, if so, how it should be delivered such that it will be made available for a Backload Registration Cycle.

In the event that the aggregate Backload Margin Call required from all FCM Clearing Members participating in a Backload Registration Cycle is in excess of a pre-determined threshold amount (the **"Aggregate Backload Margin Threshold"**) as published by the Clearing House from time to time, the Clearing House may postpone or cancel the relevant Backload Registration Cycle.

Where the Clearing House postpones or cancels a Backload Registration Cycle it shall notify those FCM Clearing Members that were intending to participate in the Backload Registration Cycle.

Backloaded Trades received by the Clearing House in advance of a Backload Registration Cycle will be 'parked' until the next Backload Registration Cycle (whether that Backload Registration Cycle is on the same Business Day or the following Business Day).

In order for the registration of the Backloaded Trades included in a Backload Registration Cycle to complete, Margin from each FCM Clearing Member (and each SwapClear Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must be furnished as required to the Clearing House in advance.

A Backloaded Trade which has been submitted for clearing (or with respect to which the Clearing House has received the one or more FCM Acceptances, if any) shall be deemed to have been submitted by the FCM Clearing Member(s) or the FCM Clearing Member and the SwapClear Clearing Member (as the case may be) for registration by the Clearing House at such time that the Clearing House determines that sufficient Margin has been furnished to register that Backloaded Trade.

For any FCM SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as a Non-FCM SwapClear Contract, the UK General Regulations and UK General Procedures will apply with respect to such registration of the Non-FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- i. (A) times of Backload Registration Cycles;
- ii. (B) the Individual Backload Value Threshold; and
- iii. (C) the Aggregate Backload Margin Threshold.

~~(f) 2A.3.6~~ *Notification*

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see Section ~~2A.1.3~~2.1.1(c)) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

~~(g) 2A.3.7~~ *Rejected Trades*

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House (including a trade submitted by or on behalf of an FCM Clearing Member that was executed on a (i) US Trading Venue that was not at the time of execution of such trade an FCM Eligible US Trading Venue in respect of such FCM Clearing Member or (ii) trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as an FCM US Trading Venue) or which contain invalid or incomplete message data, or with respect to which the Clearing House has not been furnished with sufficient Margin (taking into account available SwapClear Tolerance, if any), will be rejected, except that such Margin shall be required to be furnished prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

~~2.1.4 2A.4~~ *Position Accounts*

~~(a) 2A.4.1~~ *FCM Accounts*

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM SwapClear Contracts. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

**(b) ~~2A.4.2~~ Position-Keeping Accounts****FCM Clearing Member Accounts**

The account types are: H for house business (Proprietary Account); and C for segregated client business (an FCM Omnibus SwapClear Client Account with LCH). An FCM Clearing Member's FCM SwapClear Contract positions are also recorded within the FCM SwapClear clearing system in SwapClear accounts.

All registered FCM SwapClear Contracts will be identifiable to FCM Clearing Members via SwapClear FCM Clearing Member Reporting (see Section ~~2A.1.3~~-2.1.1(c)). All registered FCM SwapClear Contracts will be maintained only in SwapClear accounts (identified as such by a unique three letter mnemonic). Each FCM SwapClear Contract will also be assigned a unique trade identifier. The SwapClear FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM SwapClear Contracts registered in its name.

**~~2.1.5~~ ~~2A.5~~ Financial Accounts**

FCM Clearing Member accounts have financial accounts associated with them. These are, *inter alia*, used to record cash balances and securities/documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

**(a) ~~2A.5.1~~ Relationship with Position-Keeping Accounts**

<b><u>Trading Position-keeping Account</u></b>	<b><u>Financial Account</u></b>	
H	House- <u>H</u> <del>H</del>	Proprietary Account
C	Client- <u>C</u> <del>C</del>	LCH SwapClear Client Segregated Depository Account used for Initial Margin Flows
	Client <u>L</u> <del>L</del>	LCH SwapClear Client Segregated Depository Account used for Variation Margin Flows

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

**(b) ~~2A.5.2~~ Other Financial Accounts**

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	<u>Code</u>
Additional Margin accounts (House), used for holding additional cash in relation to Proprietary business	B
Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business	E

The E Account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.

~~(c) 2A.5.3~~ *Default Fund (DF) Account*

Each FCM Clearing Member's Contribution is held in a separate financial account. The DF account code is "F".

~~2.1.6 2A.6~~ *FCM SwapClear Contract Valuation*

~~(a) 2A.6.1~~ *Net Present Value*

The Clearing House will calculate the Net Present Value (NPV) of each eligible FCM SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient Margin, as determined by the Clearing House, is furnished to the Clearing House to cover the Clearing House's Margin requirements for each FCM SwapClear Transaction (taking into account, for these purposes, available SwapClear Tolerance, if any), except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such FCM SwapClear Transaction is a Block IRS Trade.

All FCM SwapClear Contracts credited to an FCM Clearing Member will, on submission to the Clearing House, be marked-to-market, in accordance with FCM Regulation ~~34.46~~ *(Collateralization of FCM SwapClear Contracts)*. The NPV so determined must, subject to Intra-day Registration (see Section ~~2A.3.5~~, 2.1.3(e)), be paid by the FCM Clearing Member in cash in the currency of the FCM SwapClear Contract. Where an FCM SwapClear Transaction is registered intra-day, and the NPV is covered with non-cash Collateral, the Clearing House will, the following Business Day, require payment of the full cash amount.

~~(b) 2A.6.2~~ *Zero Coupon Yield Curve Construction*

The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from the

Clearing House Risk Management Department at +44 (0)20 7426 7549, but may be subject to change without prior notification.

(c) ~~2A.6.3~~ Official Quotations

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted, are London time.

AUD	12:00
CAD	20:00
CHF LIBOR & OIS	16:15
CZK	16:15
DKK	16:15
EURO LIBOR	16:15
GBP LIBOR	16:15
HKD	12:00
HUF	16:15
JPY	12:00
NOK	16:15
NKD	12:00
PLN	16:15
SEK	16:15
SGD	12:00
USD LIBOR & OIS	20:00
ZAR	16:15
EURO OIS	18:15



GBP	
OIS	17:15

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's Member Reporting website after the end of each Business Day.

(d) ~~2A.6.4~~ *Variation Margin*

On the date of registration, the Net Present Value of an FCM SwapClear Contract will be credited to or debited from the applicable FCM Clearing Member's financial accounts in cash in denomination currency.

On all subsequent days, the change in the Net Present Value from one Business Day to the next will be credited to or debited from such FCM Clearing Member's financial accounts in cash in denomination currency.

~~2A.6.5~~ Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment in respect of each house "H" account and each client "C" account (subject to the Default Rules) of each FCM Clearing Member.

(e) ~~Price Alignment Interest~~

In order to compensate for the payment of changes in NPV on a daily basis for FCM SwapClear Transactions cleared through the Clearing House, the Clearing House will for each FCM Clearing Member either charge interest on cumulative variation margin received, or pay interest on cumulative variation margin paid (see Section ~~3.5.2~~ 3.5.2). Price Alignment Interest is debited, credited and netted in accordance with the Clearing House's normal practices.

2.1.7 ~~2A.7~~ *Coupon Payments*

(a) ~~2A.7.1~~ *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section ~~2A.2.3~~ 2.1.2(c)). Changes to the calendar that affect FCM SwapClear Contracts will be published and made available to FCM Clearing Members by the Clearing House in an FCM Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between FCM Clearing Members and the



Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the FCM SwapClear Contract Terms.

(b) ~~2A.7.2~~ *Calculation of Fixed Amount*

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

(i) ~~(a)~~—if an amount is specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or

(ii) ~~(b)~~—if an amount is not specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

2A.7.3

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

(c) *Calculation of Floating Amount*

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction} (+/- \text{ Spread})$$

2A.7.4

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate} \times \text{Fixed Rate Day Count Fraction} (+/- \text{ Spread})$$

(d) *OIS Coupon Calculation*

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 Definitions. The formula for these calculations is given below.

#### USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{FEDFUND}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

$$\underline{\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{FEDFUND}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}}$$

Where:

“**d0**” for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

“**i**” is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

“**FEDFUND<sub>i</sub>**”, for any day “**i**” in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption “EFFECT”, as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in respect of any day “**i**”, the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

“**n<sub>i</sub>**” is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUND<sub>i</sub>; and

“**d**” is the number of calendar days in the relevant Calculation Period.

#### CHF-TOIS-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

$$\underline{\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}}$$

Where:

“**d0**” for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

“**i**” is a series of whole numbers from 1 to **d0**, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

“**TOIS<sub>i</sub>**”, for any day “**i**” in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

“**n<sub>i</sub>**” is the number of calendar days in the relevant Calculation Period on which the rate is TOIS<sub>i</sub>; and

“**d**” is the number of calendar days in the relevant Calculation Period.

#### GBP-WMBA-SONIA-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

$$\underline{\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}}$$

Where:

“**d0**” for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

“**i**” is a series of whole numbers from 1 to **d0**, each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

“**SONIA<sub>i</sub>**”, for any day “**i**” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers<sup>21</sup> Association and appearing on the Reuters Screen SONIA Page in respect of that day;

“**n<sub>i</sub>**” is the number of calendar days in the relevant Calculation Period on which the rate is SONIA<sub>i</sub>; and

“**d**” is the number of calendar days in the relevant Calculation Period.

#### EUR-EONIA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

$$\frac{\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}}$$

Where:

“**d0**” for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

“**i**” is a series of whole numbers from 1 to d0, each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

“**EONIA<sub>i</sub>**”, for any day “**i**” in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

“**n<sub>i</sub>**” is the number of calendar days in the relevant Calculation Period on which the rate is EONIA<sub>i</sub>; and

“**d**” is the number of calendar days in the relevant Calculation Period.

#### CAD-CORRA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{CORRA}_i \times n_i}{365} \right) - 1 \right] \frac{365}{d}$$

$$\frac{\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{CORRA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}}$$

Where:

“**d0**” for any Calculation Period is the number of Toronto Banking Days in the relevant Calculation Period;

“**i**” is a series of whole numbers from one to d0, each representing the relevant Toronto Banking Day in chronological order from, and including, the first Toronto Banking Day in the relevant Calculation Period;

“**CORRA<sub>i</sub>**”, for any day “**i**” in the relevant Calculation Period, is a reference rate equal to the daily fixing for Canadian Dollar overnight repurchase rate as published at approximately 9:00 am, Toronto time, on the day that is one Toronto Banking Day following that day “**i**” on

the Bank of Canada website page address <http://www.bankofcanada.ca/fmd/monmrt.htm>. If such rate does not appear on such Bank of Canada website page in respect of any day “i”, the rate for that day will be as agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Bank of Canada website page <http://www.bankofcanada.ca/fmd/monmrt.htm> in respect of the first preceding Toronto Banking Day;

“ni” is the number of calendar days in the relevant Calculation Period on which the rate is CORRAi; and

“d” is the number of calendar days in the relevant Calculation Period.

(e) ~~2A.7.5~~ Calculation of Compounded Amount

Depending on whether the FCM SwapClear Contract is submitted under ISDA 2000 or ISDA 2006 Definitions, the Clearing House will calculate the compounded floating amount payable by an FCM Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant definitions.

(f) ~~2A.7.6~~ Calculation of FRA Discounting (Article 8.4 of the 2006 ISDA Definitions)

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD, ZAR the FRA Amount will be calculated in accordance with the following formula:

$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times \left[ \begin{array}{l} (\text{Floating Rate} + \\ \text{Spread}) \\ - \text{Fixed Rate} \end{array} \times \frac{\text{Floating Rate Day Count}}{\text{Fraction}} \right]}{1 + \left[ \text{Discount Rate} \times \frac{\text{Discount Rate Day Count}}{\text{Fraction}} \right]}$$


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$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times \left[ \text{Floating Rate} + \text{Spread} \right] - \text{Fixed Rate} \times \frac{\text{Floating Rate Day Count}}{\text{Fraction}}}{1 + \left[ \text{Discount Rate} \times \frac{\text{Discount Rate Day Count}}{\text{Fraction}} \right]}$$

Where FRA Discounting is specified for AUD Forward Rate Transactions and NZD Forward Rate Transactions then FRA Yield Discounting will be applied and the FRA Amount calculated in accordance with the following formula:

$$\text{FRA Amount} = \text{Calculation Amount} \times 365 \times \left[ \frac{1}{365 + [R_1 \times ND]} - \frac{1}{365 + [R_2 \times ND]} \right]$$

$$\text{FRA Amount} = \text{Calculation Amount} \times 365 \times \left\{ \frac{1}{365 + R_1 \times ND} - \frac{1}{365 + [R_2 \times ND]} \right\}$$

Where:

R1 is the sum of the Floating Rate and the Spread on the payment date, expressed as a decimal

R2 is the Fixed Rate, expressed as a decimal

ND is the actual number of days in the calculation period

(g) ~~2A.7.7~~ *Business Day and Business Day Convention*

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centers specified in the matched FCM SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched FCM SwapClear Transaction message.

(h) ~~2A.7.8~~ *Payment of Coupons*

After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions, the Clearing House will credit or debit FCM Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next Business Day following the Coupon Payment Date.

(i) ~~2A.7.9~~ *Calculation Periods*

In respect of any Calculation Period that is a not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

(j) ~~2A.7.10~~ *Day Count Fractions: ISDA 2000*

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

~~(i) (a)~~ if “**Actual/365**” or “**Actual/Actual**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

~~(ii) if “**Actual/365 (Fixed)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;~~ ~~(b) if “**Actual/365 (Fixed)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;~~

~~(iii) (c)~~ if “**Actual/360**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

~~(iv) (d)~~ if “**30/360**”, “**360/360**”, “**Bond Basis**”, “**30E/360**” or “**Eurobond Basis**” is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

~~$$((Y2 - Y1) * 360) + ((M2 - M1) * 30) + (D2 - D1)$$~~

$$\frac{((Y2 - Y1) * 360) + ((M2 - M1) * 30) + (D2 - D1)}{}$$

where D1, M1 and Y1 are the day, month and year respectively on which the period begins and D2, M2 and Y2 are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

~~(A) (i)~~ if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified the Clearing House will

if D1 is 31 amend it to 30,

if D2 is 31 amend it to 30 only if D1 is 30 or 31; or

~~(B) (ii)~~ if “**30E/360**” or “**Eurobond Basis**” is specified the Clearing House will

if D1 is 31 then amend it to 30

if D2 is 31 then amend it to 30.

~~(v)~~ ~~(e)~~ — For Actual/Actual (ISMA): “The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after 31 December ~~31~~, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond”.

~~(k)~~ ~~2A.7.11~~ — *Day Count Fractions: ISDA 2006*

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the FCM SwapClear Transaction is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

~~(i)~~ ~~(a)~~ — if “**Actual/Actual**”, “**Actual/Actual (ISDA)**”, “**Act/Act**”, or “**Act/Act-(ISDA)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

~~(ii)~~ ~~(b)~~ — if “**Actual/365 (Fixed)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;

~~if “**Actual/365 (Fixed)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;~~

~~(iii)~~ ~~(c)~~ — if “**Actual/360**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

~~(iv)~~ ~~(d)~~ — “**30/360**”, “**360/360**” or “**Bond Basis**” is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

$$\text{DayCountFraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$



where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“**D2**” is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

~~(v)~~ ~~(e)~~ —if “**30/E60**” or “**Eurobond**” basis is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

$$\text{DayCountFraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

~~(vi)~~ ~~(f)~~—if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

$$\text{DayCountFraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

~~(vii)~~ ~~(g)~~—If “**Actual/Actual**” (ICMA) or “**Act/Act**” (ICMA) is specified, a fraction equal to “number of days accrued/number of days in year”, as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the “**ICMA Rule Book**”), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US Dollar denominated straight and convertible bonds issued after ~~21~~ December ~~21~~, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

~~(l)~~ ~~2A.7.12~~—*Reset Rates*

Reset Rates will be published by the Clearing House via the Rate Reset reports.

The Clearing House will apply the following principles in calculating Reset Rates:

~~(i)~~ ~~(a)~~—“**GBP-LIBOR-BBA**” means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.

~~(ii)~~ ~~(b)~~—“**USD-LIBOR-BBA**” the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

~~(iii)~~ ~~(c)~~—“**Euro-LIBOR-BBA**” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two TARGET Settlement Days preceding that Reset Date.

~~(iv)~~ ~~(d)~~—“**Euro-EURIBOR-Telerate (ISDA2000)**” / “**Euro-EURIBOR-Reuters**” the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen EURIBOR01 as of 11:00 hours, Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.

~~(v)~~ ~~(e)~~—“**JPY-LIBOR-BBA**” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(vi) ~~(f)~~ — “**CHF-LIBOR-BBA**” means that the rate for a Reset Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(vii) ~~(g)~~ — “**AUD-BBR-BBSW<sup>2</sup>**” means that the rate for a Reset Date will be the average mid-rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.

(viii) ~~(h)~~ — “**AUD-LIBOR-BBA**” means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(ix) ~~(i)~~ — “**CAD-BA-CDOR<sup>2</sup>**” means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.

(x) ~~(j)~~ — “**CAD-LIBOR-BBA**” means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(xi) ~~(k)~~ — “**CZK-PRIBOR-PRBO**” means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking days preceding that Reset Date.

(xii) ~~(l)~~ — “**DKK-CIBOR-DKNA13**” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.

(xiii) ~~(m)~~ — “**DKK-CIBOR2-DKNA13**” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.

(xiv) ~~(n)~~ — “**HKD-HIBOR-HIBOR**” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption ~~“FIXING@11:00”~~ “FIXING@11:00” as of 11:00 hours, Hong Kong time, on that Reset Date.

(xv) ~~(o)~~ — “**HKD-HIBOR-HKAB**” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.

(xvi) ~~(p)~~ — “**HKD-HIBOR-ISDC**” (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.

(xvii) ~~(q)~~ — “**HUF-BUBOR-Reuters**” means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking days preceding that Reset Date.

(xviii) ~~(r)~~ — “**NOK-NIBOR-NIBR**” means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.

(xix) ~~(s)~~ — “**NZD-BBR-Telerate**” (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.

(xx) ~~(t)~~ — “**NZD-BBR-FRA**” means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of “FRA” as of 11:00 hours, Wellington time, on that Reset Date.

(xxi) ~~(u)~~ — “**SEK-STIBOR-SIDE**” means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE page under the caption ~~“FIXINGS”~~ “FIXINGS” as

of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking days preceding that Reset Date.

~~(xxii)~~ ~~(v)~~ — “**SGD-SOR-VWAP**” means that the rate for a Reset Date will be the synthetic rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSFIX01 Page under the heading “SGD SOR rates” as of 11:00 a.m., London time, on the day that is two Singapore and London Banking Days preceding that Reset Date.

~~(xxiii)~~ ~~(w)~~ — “**SGD-SOR-Reuters**” means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking days preceding that Reset Date.

~~(xxiv)~~ ~~(x)~~ — “**PLN-WIBOR-WIBO**” means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption “FIXINGS” as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking days preceding that Reset Date.

~~(xxv)~~ ~~(y)~~ — “**ZAR-JIBAR-SAFEX**” means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption “YIELD” as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified “**ZAR-JIBAR-Reference Banks**” as the applicable Floating Rate Option.

~~(xxvi)~~ ~~(z)~~ — “**CHF-TOIS-OIS-COMPOUND**” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section ~~2A.7.4,2.1.7(d)~~, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).

~~(xxvii)~~ ~~(aa)~~ — “**GBP-WMBA-SONIA-COMPOUND**” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section ~~2A.7.4,2.1.7(d)~~, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the Sterling daily overnight reference rate).

~~(xxviii)~~ ~~(bb)~~ — “**USD-Federal Funds-H.15-OIS-Compound**” means that the rate for a Reset Date, calculated in accordance with the

formula set forth in Section ~~2A.7.4~~2.1.7(d), will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

~~(xxix) (ee)~~—“**EUR-EONIA-OIS-COMPOUND**” means that the rate for a Reset Date, calculated in accordance with the formula set forth in Section ~~2A.7.4~~2.1.7(d), will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

~~(m) 2A.7.13~~—*Applying Reset Rate*

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual Business Days according to the Calendar(s) and Business Day Convention specified.

~~(n) 2A.7.14~~—*Negative Interest Rate Method*

FCM Clearing Member should note the provisions of Section 3.32 of Part A of Schedule ~~A1~~ to the FCM ~~Regulations~~Product Specific Contract Terms And Eligibility Criteria Manual regarding the applicability of the Negative Interest Rate Method, to an FCM SwapClear Contract. FCM Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

~~2.1.8 2A.8~~—*Initial Margin*

The Clearing House will require FCM Clearing Members to furnish it with Initial Margin. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate Initial Margin requirements for FCM SwapClear Contracts.

Separate Initial Margin calculations are performed for an FCM Clearing Member's house “H” and client “C” accounts and, within a “C” account, separately in respect of each FCM Client Sub-Account therein. No offset between the “C” and “H” accounts is permitted.



The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation ~~9.14~~ (*Margin and Collateral*).

(a) ~~2A.8.1~~ *Liquidity Multiplier*

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an on-going basis. FCM Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

(b) ~~2A.8.2~~ *Intra-day Margin Calls*

In accordance with the Clearing House's FCM 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. Intra-day margin calls can be called at any time throughout the Business Day. Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section ~~2A.9~~.2.1.9).

In certain circumstances the Clearing House may wish to make a call for additional funds after the closure of ~~LondonUK~~ PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section ~~3.2.1~~.3.2.1). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

(c) ~~2A.8.3~~ *Calculation of Initial Margin*

(i) ~~(a)~~ — Portfolio Approach to Interest Rate Scenarios (PAIRS)

The PAIRS calculation is a VAR based approach based on filtered historical simulations. All positions in each currency are re-valued under a series of cross portfolio yield curve scenarios to estimate the highest forecast loss and therefore the Initial Margin requirement. Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to Initial Margin calculations can be obtained from the Rates team at +44 (020) 7426 6325 or +44 (020) 7426 7428.

(d) ~~2A.8.4~~ *Tenor Basis Risk Margin Add-on*

A margin add-on will be applied in respect of tenor basis risk.



### 2.1.9 ~~2A.9~~ ***Intra-Day Margin Call: Collateral Management***

#### (a) ~~2A.9.1~~ ***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.

### 2.1.10 ~~2A.10~~ ***Compression***

(a) Pursuant to FCM Regulation ~~30(a)~~45(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) ~~(a)~~—An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, ~~(ii) on behalf of a designated Affiliate~~ or ~~(iii) on~~ (ii) in such FCM Clearing ~~Member's own behalf~~ 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 by 19:00 hours, New York City time, on each applicable day) 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.

(ii) ~~(b)~~—An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 hours, New York City time, on the applicable day 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 register with an FCM Approved Trade Source System

an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

(c) The Clearing House shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 hours, New York City time, shortly after 18:00 hours, New York City time, and shall notify the applicable FCM Clearing Member by 19:00 hours, New York City time, of the result of such compression procedure. A notification received after 18:00 hours, New York City time, shall be treated as if such notification was submitted on the following day prior to 18:00 hours, New York City time, and as such shall be considered shortly after 18:00 hours, New York City time, on such following day and the results notified to the applicable FCM Clearing Member by 19:00 hours, New York City time, on such following day.

(d) Following the compression process described above and as further set out in FCM Regulation ~~30(n45(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.

#### ~~2A.11~~ Affiliate Clearing

~~Under FCM Regulation 5, FCM Clearing Members are permitted to clear for Affiliates through their Proprietary accounts.~~

#### ~~2.1.11~~ 2A.12 *Transfers of FCM Clients; Defaulting FCM Clients* ~~and Affiliates~~

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 813 (*Transfer*) and these FCM Procedures.

#### (a) ~~2A.12.1~~ *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 ~~FCM~~ Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see ~~Appendix 2A.B~~), Schedule 2.1B), signed on behalf of the relevant FCM Client. Such form shall list all of the FCM SwapClear 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 ~~FCM~~ Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section ~~2A.12.4~~ 2.1.11(d). In

the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House, the Carrying Clearing Member and the Receiving Clearing Member, the relevant partial transfer shall not take effect.

In the event that any of the applicable conditions set forth in FCM Regulation ~~8(e)13 (Transfer)~~ are not satisfied, and including where the Carrying ~~FCM~~ Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer, it shall be required to submit a new request to transfer in accordance with these FCM Procedures.

(b) ~~2A.12.2~~ — Full Transfers of FCM Clients

Where a Receiving FCM Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's entire portfolio of FCM SwapClear Contracts held with a Carrying ~~FCM~~ Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see Appendix ~~2A.C~~, Schedule 2.1C), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM SwapClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving FCM Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the Collateral furnished to the Clearing House in respect of the transferring FCM SwapClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying ~~FCM~~ Clearing Member that a request has been received to transfer FCM SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section ~~2A.12.42.1.11(d)~~. In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House, the Carrying Clearing Member and the Receiving Clearing Member, the relevant partial transfer shall not take effect.

In the event that any of the applicable conditions set forth in FCM Regulation ~~8(b)13 (Transfer)~~ are not satisfied, and including where the Carrying ~~FCM~~ Clearing Member notifies the Clearing ~~h~~House that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Collateral (when applicable). and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer, it shall be required to submit a new request to transfer in accordance with these FCM Procedures.

Following receipt by the Carrying Clearing Member of notice that a Full Transfer Form has been received, the Carrying ~~FCM~~ Clearing Member shall not be permitted to ~~register~~submit additional FCM SwapClear Contracts on behalf of the FCM Client whose FCM SwapClear Contracts are subject to transfer, ~~until~~ during the period commencing at the end of the SwapClear service operating hours on the day on which the relevant Carrying Clearing Member received such notice and ending at the time at which the relevant transfer (and including the transfer of the related any relevant Collateral, if applicable) is actually effected, fails or is rejected in accordance with Regulation 13 (Transfer) and these FCM Procedures.

(c) 2A.12.3 ~~Collateral Transfers~~

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer Collateral from a Carrying ~~FCM~~ Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying ~~FCM~~ Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying ~~FCM~~ Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2A.D) Schedule 2.1D) which Collateral is attributable to the transferring FCM Client and the associated FCM SwapClear Contracts. In the event that the Carrying ~~FCM~~ Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash Collateral from the FCM Carrying Clearing Member's Member's relevant FCM Client Sub-Account or FCM Omnibus SwapClear Client Account with LCH (such Collateral as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the Collateral that is to be transferred, it shall notify the Carrying ~~FCM~~ Clearing Member and the Receiving FCM Clearing Member of the Collateral that will be transferred in accordance with the timetable below. Following receipt of such notification by the Clearing House, the Receiving Clearing Member may elect to reject the transfer of some or all of the relevant Collateral in accordance with Regulation 13 (Transfer). The Clearing House shall transfer that part of the Collateral that has been identified and consented to by the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer the relevant Collateral, the Clearing House will not proceed with the transfer of the Porting Contracts.

In the event that any of the applicable conditions set forth in FCM Regulation ~~8(b)13~~ (Transfer) are not satisfied, and including where the Carrying ~~FCM~~ Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related Collateral. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated Collateral will

not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing Member will have to furnish to the Clearing House sufficient Collateral in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers Collateral pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM SwapClear Contracts.

(d) ~~2A.12.4~~ *Timetable for FCM Client Transfer*

<b>Time</b> <b>(all references below are to New York City time)</b>	<b>Partial Transfer</b>	<b>Full Transfer (with Collateral)</b>	<b>Full Transfer (without Collateral)</b>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that Collateral is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying <del>FCM</del> Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying <del>FCM</del> Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying <del>FCM</del> Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying <del>FCM</del> Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the	Deadline for notification (if any) from Carrying <del>FCM</del> Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the	Deadline for notification (if any) from Carrying <del>FCM</del> Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the

Time  (all references below are to New York City time)	Partial Transfer	Full Transfer (with Collateral)	Full Transfer (without Collateral)
	<p>Carrying <del>FCM</del> Clearing Member (in accordance with FCM Regulation <del>8(e)(v)13</del> (<del>Transfer</del>)) and that the Carrying <del>FCM</del> Clearing Member is therefore objecting to the transfer.</p>	<p>Carrying <del>FCM</del> Clearing Member (in accordance with FCM Regulation <del>8(b)(v)13</del> (<del>Transfer</del>)) and that the Carrying <del>FCM</del> Clearing Member is therefore objecting to the transfer.</p> <p>Deadline for confirmation from Carrying <del>FCM</del> Clearing Member of the Collateral which is to be ported to the Receiving FCM Clearing Member.</p>	<p>Carrying <del>FCM</del> Clearing Member (in accordance with FCM Regulation <del>8(b)(v)13</del> (<del>Transfer</del>)) and that the Carrying <del>FCM</del> Clearing Member is therefore objecting to the transfer.</p>
<p>Day 2: 09:00 to 10:00</p>		<p>LCH notifies the Receiving FCM Clearing Member of the Collateral that will be transferred <del>or that Collateral will not be transferred.</del></p> <p><del>Where Collateral will not be transferred, transfer is treated as a full transfer (without Collateral).</del></p>	
<p>Day 2: 14:30</p>	<p>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</p>	<p>Deadline for receipt by the Clearing House of consent of transfer and associated Collateral from the Receiving FCM Clearing Member.</p>	<p>Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.</p>

Time  (all references below are to New York City time)	Partial Transfer	Full Transfer (with Collateral)	Full Transfer (without Collateral)
Day 3: 03:00	Target deadline for notification by Clearing House to the Carrying <del>FCM</del> Clearing Member or the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Collateral is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional <del>Collateral cover</del> from the Carrying <del>FCM</del> Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional <del>Collateral cover</del> from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional <del>Collateral cover</del> from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM SwapClear Contracts.	Clearing House transfers FCM SwapClear Contracts and associated Collateral.	Clearing House transfers FCM SwapClear 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~~ member circular.

~~2A.12.5~~ [Reserved]

~~2A.12.6~~ [Reserved]

~~2A.13~~ Where the Carrying Clearing Member is not an FCM Clearing Member then the timings and processes in respect of the above will be as set out in the UK General Procedures.



(e) Transfers of FCM SwapClear Contracts of FCM Clients to the Account of another FCM Client of the same FCM Clearing Member

An FCM Clearing Member is permitted under certain conditions to transfer FCM SwapClear Contracts registered to the FCM Client Sub-Account of one of its FCM Clients to the FCM Client Sub-Account of another one of its FCM Clients.

FCM Clearing Members interested in providing these services to their FCM Clients should contact the Clearing House's SwapClear Client Services department. The ability of FCM Clearing Members to provide such services shall be at the full discretion of the Clearing House, even where such FCM Clearing Member has obtained approval from the Clearing House with respect to these services. An FCM Clearing Member may provide these services (subject to the Clearing House's discretion) if it is approved to do so by the Clearing House, and if the FCM Clearing Member provides the Clearing House, with respect to and prior to each such transfer that it intends to conduct, the information required by the Clearing House with respect to the intended transfer in the format required by the Clearing House (which may include transfer forms or other relevant documentation). Details can be obtained from the Clearing House's SwapClear Client Services department.

In connection with each transfer of one or more FCM SwapClear Contract that an FCM Clearing Member transfers between two of its FCM Clients, the FCM Clearing Member shall be deemed to make the agreements, acknowledgements and representations set forth in the following paragraph to the Clearing House with respect to each such transfer.

FCM Clearing Member acknowledges and agrees that:

- (i) the contractual terms of the relevant FCM SwapClear Contracts will not change as a direct result of the Clearing House effecting the requested transfer;
- (ii) FCM Clearing Member will remain liable to the Clearing House for all obligations under the relevant FCM SwapClear Contracts prior to, during and after the transfer and any required actions taken by the Clearing House, to the same extent that we are currently liable with respect to such obligations, in accordance with and subject to the terms of the FCM Rulebook;
- (iii) the Clearing House is under no obligation to act upon the FCM Clearing Member's transfer request or any of the particular instructions or requests made in connection therewith;



- (iv) FCM Clearing Member will notify the Clearing House promptly when it wishes for the transfer to be carried out in order that the Clearing House can update its books and records;
- (v) the Clearing House may require that certain changes be made to the books and records of one or more FCM Approved Trade Source Systems in order to reflect the requested transfer;
- (vi) the Clearing House is acting solely upon FCM Clearing Member's instructions as detailed to the Clearing House in writing and in reliance on the FCM Clearing Member's agreements and representations (including as set out in this Section 2.1.11(e)) in connection therewith;
- (vii) the Clearing House may debit or credit FCM Clearing Member's accounts at the Clearing House with any obligations, liabilities or otherwise as appropriate and permissible under applicable law;
- (viii) the requested transfer is permissible under applicable law and is not in violation of applicable law, and FCM Clearing Member has obtained any and all necessary and appropriate consents, authorizations and approvals, including from FCM Clients, regulators or otherwise, and have taken any other actions required under applicable law, in connection with the requested transfer;
- (ix) if the Clearing House determines (in its sole discretion) to make the requested transfer, the Clearing House will not carry out the transfer or any requested actions in connection therewith until FCM Clearing Member provides it with such evidence of the relevant FCM Clients' authorization that the transfer be carried out as the Clearing House may require in its sole discretion; and
- (x) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the FCM Clients, as a result of any actions taken by the Clearing House in connection with the transfer.

All transfers pursuant to this subsection (e) must be effected before the end of business on the third Business Day following the day of registration of the relevant FCM Contract (or at such later time as the Clearing House may permit in its sole discretion).

#### 2.1.12 Proprietary Account Position Transfers

The FCM SwapClear clearing system provides functionality for the transfer of positions from an FCM Clearing Member<sup>21</sup>'s Proprietary Account, ~~either in respect of FCM SwapClear Contracts held on an FCM Clearing Member's~~

~~own behalf or in respect of FCM SwapClear Contracts held on behalf of an Affiliate. In either case, any.~~ Any such transfer may only occur if the receiving FCM Clearing Member is an Affiliate of the ~~carrying FCM~~ Carrying Clearing Member.

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~~ Margin has been ~~provided~~ furnished by both parties to the transfer. Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is also an Affiliate of the FCM Clearing Member receiving the transferred position.

~~(a) 2A.13.1~~ *Legal Documentation*

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

~~(b) 2A.13.2~~ *Position Transfer Notice Period*

The Clearing House will usually require five Business Days' notice ahead of an intended transfer.

~~2.1.13 2A.14~~ *Amendment of Trade References*

Sometimes FCM Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements including under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

~~(a) 2A.14.1~~ *Trade Reference Amendment Request Form*

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any FCM Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the FCM Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the FCM Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two Business Days (the “**Trade Reference Amendment Notice Period**”) after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it is under no obligation to do so. The date for the amendment in the Clearing House’s records and FCM SwapClear clearing system is a matter entirely within the discretion of the Clearing House and the FCM Clearing Member will be advised in due course of the date set by the Clearing House.

**(b) ~~2A.14.2~~ Multi-trade Amendments**

If an FCM Clearing Member requests amendment to several trades it must (in addition to providing the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. Detail of the required formats of the file can be obtained from SwapClear Operations (Tel: +44 (0) 20 7426 7697). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the FCM Clearing Member will be advised accordingly.

**(c) ~~2A.14.3~~ Processing**

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

- **(i)** it is not made in accordance with these FCM Procedures;
- **(ii)** any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the FCM Clearing Member’s trade reference which the Clearing House has recorded;
- **(iii)** the Clearing House trade reference number notified in the Trade Reference Amendment Request Form does not refer to a trade registered in the FCM SwapClear clearing system;
- **(iv)** any trade referred to in the Trade Reference Amendment Request Form is not already registered in the FCM SwapClear clearing system or is not recorded by the Clearing House against the BIC code of the FCM Clearing Member requesting the amendment; or
- **(v)** it would not be practical in all the circumstances or would subject the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing

House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable ~~endeavor~~efforts to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the FCM Clearing Member and process the amendment as soon as reasonably practicable thereafter.

After close of business of the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new FCM Clearing Member trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely “amended” or “rejected”. All records of the Clearing House and data held in the FCM SwapClear clearing system will then be updated overnight following the close of business on that day.

~~(d) 2A.14.4~~ *Legal Documentation*

The Clearing House will provide the requesting FCM Clearing Member with legal documentation in Clearing House standard form for that FCM Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the FCM Clearing Member with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

~~(e) 2A.14.5~~ *Notification*

Subject to the requesting FCM Clearing Member meeting all the Clearing House<sup>21</sup>'s requirements (including completion and submission of all documentation and such other additional requirements as the Clearing House may be set by the Clearing House in its discretion), the Clearing House will notify the FCM Clearing Member of its agreement to the amendment of its records of the FCM Clearing Member trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and advise of the anticipated date of amendment (the “**anticipated date of amendment**”).

~~2.1.14 2A.15~~ *Default Management*

~~(a) 2A.15.1~~ *Portfolio Splitting:*

As part of the SwapClear DMP, 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 SwapClear DMG (which, as

defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the SwapClear DMP Annex to the Default Rules), seek to create:

- (i) ~~(a)~~—one or more individual Sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such Sub portfolios from those which are more risk neutral; and
- (ii) ~~(b)~~—one or more individual Sub portfolios which are more risk neutral.

~~(b)~~ ~~2A.15.2~~—*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:

- (i) ~~(a)~~—cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (ii) ~~(b)~~—cause the Clearing House or its membership any reputational harm;
- (iii) ~~(c)~~—cause legal action or proceedings to be taken against the Clearing House;
- (iv) ~~(d)~~—endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same FCM Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by an FCM Clearing Member or SwapClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

~~(c)~~ ~~2A.15.3~~—*Affiliate Bidding*

SwapClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where a SwapClear Clearing Member makes a bid and that SwapClear Clearing Member has an affiliated SwapClear Clearing Member or FCM Clearing Member that

does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding SwapClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated SwapClear Clearing Member or affiliated FCM Clearing Member.

A SwapClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where it wishes to do so, the SwapClear Clearing Member should contact the Clearing House's Membership Department at +44 (0)207 426 7891/7627/7063 or via e-mail at [membership@lchclearnet.com](mailto:membership@lchclearnet.com) or [membership@lchclearnet.com](mailto:membership@lchclearnet.com).

Upon the request of an FCM Clearing Member that has successfully bid in an Auction (or in respect of which an LCH Approved Outsourcing Party, ~~or an affiliated SwapClear Clearing Member or a non-SwapClear Clearing Member Affiliate~~ has made a successful bid on its behalf), the Clearing House shall transfer the rights and obligations arising out of the applicable Auction Portfolio to an affiliated SwapClear Clearing Member of such FCM Clearing Member ~~or, through its House Account, to a non-SwapClear Clearing Member Affiliate clearing through such FCM Clearing Member~~, subject to such affiliate consenting to such transfer and meeting all the requirements imposed by the Clearing House from time to time in relation to accepting such rights and obligations (including executing any documents reasonably requested by the Clearing House), and subject to the Clearing House's determination in its reasonable discretion that the transfer would not be likely to result in a material and adverse impact on the Clearing House, the SwapClear Service or another SwapClear Clearing Member. Until such time as such transfer has been effected, the FCM Clearing Member shall remain liable to perform its obligations (including in respect of the Auction Portfolio to be transferred) under the FCM Rulebook.

~~(d) 2A.15.4~~ *Outsourcing*

Pursuant to FCM Regulation ~~34~~(c)(vii) and ~~34~~(c)(viii) (*FCM Clearing Member Status and Application of LCH Regulations*), an FCM Clearing Member may appoint a third party to fulfill one or both of the Clearing House's Membership requirements to: (i) participate in a SwapClear "fire drill" run by the Clearing House; and (ii) participate in the SwapClear DMP operated by the Clearing House. Where an FCM Clearing Member chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- ~~(i)~~ A SwapClear Clearing Member

- (ii) An FCM Clearing Member
- (iii) An FCM Client
- (iv) Any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FCM Clearing Member wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (A) 1. details of the third party entity that the FCM Clearing Member wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (B) 2. evidence of the existence of a legally binding agreement between the FCM Clearing Member and the third party; and
- (C) 3. such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FCM Clearing Member successfully appoints an LCH Approved outsourcing Agent, that FCM Clearing Member may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FCM Clearing Members should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FCM Clearing Members (*i.e.*, required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FCM Clearing Member, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FCM Clearing Member shall be required to assume those responsibilities



that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FCM Clearing Member of its obligations under the SwapClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the SwapClear DMP on behalf of an FCM Clearing Member, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FCM Clearing Member.

(e) ~~2A.15.5~~ *SwapClear DMG*

The necessary involvement of FCM Clearing Members and the SwapClear DMG in the SwapClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, ~~Appendix 2A.E~~ Schedule 2.1E establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FCM Clearing Members (and their executives or directors who participate from time to time in the SwapClear DMG) and on the Clearing House.

Each FCM Clearing Member who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with ~~Appendix 2A.E~~ Schedule 2.1E covering confidentiality, non-disclosure and other terms.

(f) ~~2A.15.6~~ *Procedures for Liquidation of FCM SwapClear Contracts of FCM Clients*

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM SwapClear Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the SwapClear DMP Annex. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM SwapClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be



liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM SwapClear Contracts to be liquidated into an account at the Clearing House established for purposes of liquidating the FCM SwapClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House shall establish a separate Hedged Account for each currency of FCM SwapClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM SwapClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM SwapClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM SwapClear Contracts will be transferred into a Hedged Account established for liquidating FCM SwapClear Contracts.

An FCM Client whose FCM SwapClear Contracts are transferred into a Hedged Account is referred to as a "**Non-Porting Client**". The Clearing House shall hold the relevant Collateral in respect of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in the relevant FCM Omnibus SwapClear Client Account with LCH until the liquidation of the entire Hedged Account and all FCM SwapClear Contracts and other positions therein, as described below. At the time that the FCM SwapClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM SwapClear Contracts shall be discharged as of the time such FCM SwapClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the FCM Client Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the FCM Client Sub-Account of such FCM Client.

**(i) Administration of a Hedged Account.** The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM SwapClear Contracts and hedges for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

(ii) Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

(A) (i)—At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s Required Margin with respect to its FCM SwapClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).

(B) (ii)—On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.

(C) (iii)—On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Required Margin associated with the Hedged Account with respect to all positions (including all FCM SwapClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the FCM SwapClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing

Non-Porting Clients Combined Risk Factor is calculated without respect to the Required Margin applicable to the transferred FCM SwapClear Contracts of the New Non-Porting Clients.

~~(D)~~ ~~(iv)~~—On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph ~~(iv)~~~~D~~ until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph ~~(ii)~~~~B~~ above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph ~~(ii)~~~~B~~ above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph ~~(iii)~~~~C~~ above and this paragraph ~~(iv)~~~~D~~.

~~(E)~~ ~~(v)~~—Upon the liquidation of the Hedged Account and all FCM SwapClear Contracts and other positions therein, 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 SwapClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a “**auction value adjustment**”. For purposes of this

clause (v), (1) **“unit value”** means the value applied to each FCM SwapClear Contract, based on the net present value and outstanding notional value associated with each such FCM SwapClear Contract, and (2) **“auction value adjustment”** means a ratio applied to an FCM SwapClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM SwapClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (v) 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 relevant FCM Client Sub-Account.

#### 2.1.15 ~~2A.16~~ Payment of Stamp Tax

##### ~~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 SwapClear 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 SwapClear Contract) by any such jurisdiction.

#### 2.1.16 ~~2A.17~~ Section 696, Corporation Tax Act 2009

##### ~~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 **endeavoursefforts** 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.

**APPENDIX 2A.A****SWAPCLEAR PROCESSING SCHEDULE****2.1.17 Prescribed Terms**

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

Where an FCM Clearing Member provides 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 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 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 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;
- (d) any gains on FCM SwapClear Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM Clearing Member only until the next Business Day following receipt;

the FCM Client has the ability to withdraw its assets from the FCM Clearing Member as soon as reasonably practicable if the FCM Clearing Member's or the Clearing House's custody of FCM Client Funds no longer meets the requirements of Rule 17f-6 under the Investment Company Act of 1940.

**SCHEDULE 2.1A**  
**SWAPCLEAR PROCESSING SCHEDULE**

This table outlines the daily processes and timetable of the FCM SwapClear operation and constitutes a “**Business Day**” for the purpose of the FCM Regulations. FCM Clearing Members will be informed of changes to this timetable via member circular. All times shown are in London time.

<b>SWAPCLEAR PROCESSING SCHEDULE</b>	
<b>Time</b>	
07:30	SwapClear Opens
<u>by 09:30</u>	<u>Registration of Backloaded Trades and confirmation of deleted trades from T-1</u> <u>(see Section 2.1.3(e))</u>
<del>21</del> <u>16</u> :00	Deadline for PPS calls in London
24:00	SwapClear Closes

**APPENDIX 2A.B**

**FCM CLIENT—PARTIAL TRANSFER FORM**



**SCHEDULE 2.1B**  
**FCM CLIENT – PARTIAL TRANSFER FORM**



**FCM CLIENT - PARTIAL TRANSFER FORM**

**V.1.0: November 2011**

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:**        LCH.Clearnet Limited

**From:**    Receiving Clearing Member

**Date:**

We, ..... [insert name of Receiving Clearing Member] (the “**Receiving Clearing Member**”) have received a request from ..... [insert name of transferring FCM Client] (the “**FCM Client**”) to transfer part of its portfolio of FCM SwapClear Contracts from its Carrying Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 13 (*Transfer*) and the FCM Procedures.

**OR**

We ..... [insert name of Receiving Clearing Member] (the “**Receiving Clearing Member**”) are an FCM Client and Clearing Member (under the UK General Regulations) and are writing in our capacity as a Receiving Clearing Member to request the transfer of part of our portfolio of FCM SwapClear Contracts from our Carrying Clearing Member to our Proprietary Account. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 13 (*Transfer*) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM SwapClear Contracts, using the Schedule below:

*\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM SwapClear Contracts.*

*\*\*Please append a list of additional FCM SwapClear Contracts to this form, if required*

<b><u>LCH Trade ID</u></b>	<b><u>ATS Trade ID</u></b>




**FCM CLIENT - PARTIAL TRANSFER FORM**

**V.1.0: November 2011**

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Receiving FCM Clearing Member

**Date:**

We, .....[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 8(e) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM SwapClear Contracts, using the Schedule below:

*\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM SwapClear Contracts.*

*\*\*Please append a list of additional FCM SwapClear Contracts to this form, if required*

LCH Trade ID	ATS Trade ID


**Part I Signatories for and on behalf of the Receiving FCM Clearing Member:**

**Part II** We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member

1. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      \_\_\_\_\_ Date

2. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      \_\_\_\_\_ Date

**Signatories for and on behalf of the transferring FCM Client:**

To: - \_\_\_\_\_ Receiving FCM Clearing Member

We acknowledge and confirm:

- (i) \_\_\_\_\_ the request to transfer as detailed above;
- (ii) \_\_\_\_\_ that LCH.Clearnet will contact our Carrying FCM Clearing Member in relation to this transfer and will disclose our identity to such Carrying FCM Clearing Member;
- (iii) \_\_\_\_\_ that, in accordance with the FCM Rulebook, LCH.Clearnet is entitled to rely conclusively on the instructions and information received from the Receiving FCM Clearing Member and the Carrying FCM Clearing Member and shall have no liability or responsibility therefor;
- (iv) \_\_\_\_\_ that the transfer detailed above may require that additional Margin be furnished to LCH.Clearnet (and/or by us to the Receiving FCM Clearing Member listed above and/or our Carrying FCM Clearing Member), and that LCH.Clearnet is not required to affect the transfer if it has not received adequate Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- (v) \_\_\_\_\_ that the FCM Client is not insolvent and has no outstanding obligations that are due and payable to the Carrying FCM Clearing Member and/or its Affiliates in respect of FCM SwapClear Contracts; and
- (vi) \_\_\_\_\_ that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

..... Authorized signatory	Authorized signatory
.....	
_____	_____
Date	Date

---

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.  
~~Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)~~

[Email: swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

SwapClear Client Services Aldgate House 33 Aldgate High Street London EC3N 1EA	SwapClear Client Services 17 State Street New York NY 10005
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**APPENDIX 2A.C**

**FCM CLIENT – FULL TRANSFER FORM**

**SCHEDULE 2.1C**

**FCM CLIENT – FULL TRANSFER FORM**



**FCM CLIENT - FULL TRANSFER FORM**

**V.1.0: November 2011**

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Receiving Clearing Member

**Date:**

We, ..... [insert name of Receiving Clearing Member] (the **“Receiving FCM Clearing Member”**) have received a request from ..... [insert name of transferring FCM Client] (the **“FCM Client”**) to transfer its entire portfolio of FCM SwapClear Contracts from its Carrying Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 13 (*Transfer*) and the FCM Procedures.

**OR**

We ..... [insert name of Receiving Clearing Member] (the **“Receiving Clearing Member”**) are an FCM Client and Clearing Member (under the UK General Regulations) and are writing in our capacity as a Receiving Clearing Member to request the transfer of our entire portfolio of FCM SwapClear Contracts from our Carrying Clearing Member to our Proprietary Account. We hereby request the transfer of the FCM SwapClear Contracts pursuant to FCM Regulation 13 (*Transfer*) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying Clearing Member:

.....

**OR**

ii. the LCH trade IDs of the transferring FCM SwapClear Contracts (using the Schedule on the next page).

In order to enable LCH.Clearnet to identify the relevant FCM SwapClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Collateral in accordance with FCM Regulation 13 (*Transfer*).

- The FCM Client wishes to transfer Collateral
- The FCM Client does NOT wish to transfer Collateral

**Signatories for and on behalf of the Receiving Clearing Member:**

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving Clearing Member

1. \_\_\_\_\_  
 (Authorized Signatory)      Name      Position      Date

<u>2.</u>	<u>(Authorized Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>Date</u>
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**LCH.CLEARNET** ~~FCM CLIENT – FULL TRANSFER FORM~~

~~V.1.0 – November 2011~~

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Receiving FCM Clearing Member

**Date:**

We, ..... [insert name of Receiving FCM Clearing Member] (the “Receiving FCM Clearing Member”) have received a request from ..... [insert name of transferring FCM Client] (the “FCM Client”) to transfer its entire portfolio of FCM SwapClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM SwapClear Contracts as identified below pursuant to FCM Regulation 8(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:

.....

OR

ii. the LCH trade IDs of the transferring FCM SwapClear Contracts (using the Schedule on the next page):

In order to enable LCH.Clearnet to identify the relevant FCM SwapClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Collateral in accordance with FCM Regulation 8(d):

- The FCM Client wishes to transfer Collateral
- The FCM Client does NOT wish to transfer Collateral

**Signatories for and on behalf of the ~~Receiving~~transferring FCM ~~Clearing Member~~Client:**

**To:** Receiving Clearing Member

We acknowledge and confirm ~~the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member;~~

1.

_____	_____	_____	_____
(Authorized Signatory)	Name	Position	date

2.

_____	_____	_____	_____
(Authorized Signatory)	Name	Position	date

**Signatories for and on behalf of the transferring FCM Client:**

LCH.Clearnet Limited © 2014 66 May 2014

**To:** Receiving FCM Clearing Member

We acknowledge and confirm:





**APPENDIX 2A.D**

**~~FCM CLIENT TRANSFER - CARRY FCM CLEARING MEMBER RESPONSES FORM~~**

**SCHEDULE 2.1D**  
**FCM CLIENT TRANSFER -**  
**CARRY FCM CLEARING MEMBER RESPONSES FORM**



**FCM CLIENT TRANSFER -  
 CARRYING ~~FCM~~ CLEARING  
 MEMBER RESPONSE FORM**

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Carrying ~~FCM~~ Clearing Member

Date:

We, \_\_\_\_\_ [insert name of Carrying ~~FCM~~ Clearing Member] (the "Carrying ~~FCM~~ Clearing Member") have received a request from LCH.Clearnet Limited in relation to \_\_\_\_\_'s \_\_\_\_\_'s [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its\*] portfolio of FCM SwapClear Contracts held by us. We are writing to inform you that:

\* Delete as appropriate

(Please tick if applicable) The transferring FCM Client has become insolvent and its FCM SwapClear Contracts should therefore not be transferred in accordance with FCM Regulation ~~8(b)(i) or FCM Regulation 8(e)(i), as applicable.~~ **13 (Transfer).**

(Please tick if applicable) The transferring FCM Client has outstanding obligations that are due and payable to us and/or our ~~A~~ affiliates and therefore its FCM SwapClear Contracts should not be transferred in accordance with FCM Regulation ~~8(b)(v) or FCM Regulation 8(e)(v), as applicable.~~ **13 (Transfer).**

(Please tick if applicable) The transferring FCM Client has asked that Collateral be transferred and the relevant Collateral ~~are~~ **is** described in the schedule below.

**Schedule of Collateral:**

The Collateral of the FCM Client consists solely of cash in the following amount and currency:

**CASH AMOUNT & CURRENCY**

The Collateral of the FCM Client consists of the following cash and non-cash Collateral:

**CASH AMOUNT & CURRENCY**

ISIN	Notional Value

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.  
 Email: [swapeclearclientservices@lchclearnet.com](mailto:swapeclearclientservices@lchclearnet.com)  
 Telephone: +44 (0) 207 426 7651 or +1 212 513 8265  
 Fax: +1 212 513 8290

SwapClear Client Services	SwapClear Client Services
Aldgate House	17 State Street
33 Aldgate High Street	New York
London	NY 10005
EC3N 1EA	USA
UNITED KINGDOM	

**Signatories for and on behalf of the Carrying FCM Clearing Member:**

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:

1.

(Authorized Signatory)	Name	Position	Date
------------------------	------	----------	------

2.

<u>(Authorized Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>Date</u>
<input type="checkbox"/> <u>The Collateral of the FCM Client consists solely of cash in the following amount and currency:</u>			
<u>CASH AMOUNT &amp; CURRENCY</u>			
<input type="checkbox"/> <u>The Collateral of the FCM Client consists of the following cash and non-cash Collateral:</u>			
<u>CASH AMOUNT &amp; CURRENCY</u>			

<u>ISIN</u>	<u>Notional Value</u>

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: swapclearclientservices@lchclearnet.com

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

Fax: +1 212 513 8290

SwapClear Client Services  
Aldgate House  
33 Aldgate High Street  
London  
EC3N 1EA  
UNITED KINGDOM

SwapClear Client Services  
17 State Street  
New York  
NY 10005  
USA

**Signatories for and on behalf of the Carrying Clearing Member:**

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying Clearing Member:

- 1. 

<u>(Authorized Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>Date</u>
-------------------------------	-------------	-----------------	-------------
  
- 2. 

<u>(Authorized Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>Date</u>
-------------------------------	-------------	-----------------	-------------

**APPENDIX 2A.E**

**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN  
THE DEFAULT MANAGEMENT GROUP**

**1.—SCHEDULE 2.1E**  
**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN**  
**THE DEFAULT MANAGEMENT GROUP**

**1. Definitions**

**1.1** ~~1.1~~ **“Confidential Material”** means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FCM Clearing Member, its associated companies and advisers, or to which the FCM Clearing Member, its associated companies and advisers obtains or otherwise has access as a result of participation in the SwapClear DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FCM Clearing Member).

**1.2** ~~1.2~~ **“DMG Member”** means an individual appointed by a Nominating FCM Clearing Member.

**1.3** ~~1.3~~ **“Nominating FCM Clearing Member”** means a SwapClear Member who, through their obligations under the SwapClear DMP, makes available a representative to serve on the SwapClear DMG.

**1.4** ~~1.4~~ **“Permitted Purpose”** means proper fulfillment by the FCM Clearing Member of its duties under the SwapClear DMP Annex and includes, after the completion of the Auction, the use by the FCM Clearing Member, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own on-going portfolio management and to enable it to comply with on-going legal or regulatory requirements.

**1.5** ~~1.5~~—References denoting the masculine (including **“his”** and **“he”**) shall be construed as the feminine if the DMG Member is female.

**1.6** ~~1.6~~—All other terms have the meaning ascribed to them in the FCM Rulebook, which includes the Default Rules (including the SwapClear DMP Annex).

**Confidentiality and Non-Disclosure: General Obligations of the FCM Clearing Member**

**2. Confidentiality**

**2.1** ~~2.1~~—The FCM Clearing Member agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this **Appendix Schedule** in respect thereof and, subject to paragraph 2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FCM Clearing Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:-

**2.1.1** ~~2.1.1~~—it comes into the public domain other than through a breach by the FCM Clearing Member of this **Appendix Schedule**; or

- ~~2.1.2~~ ~~2.1.2~~—the FCM Clearing Member is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FCM Clearing Member.
- ~~2.2~~ ~~2.2~~—The FCM Clearing Member further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FCM Clearing Member expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this ~~Appendix~~~~Schedule~~ might result in the gaining of an unfair commercial advantage by the FCM Clearing Member over other members of the Clearing House SwapClear Service.
- ~~2.3~~ ~~2.3~~—Subject to paragraph 2.5, the FCM Clearing Member may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a ~~“strictly need to know”~~ basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).
- ~~2.4~~ ~~2.4~~—The FCM Clearing Member agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.
- ~~2.5~~ ~~2.5~~—This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FCM Clearing Member.
- ~~3.~~ ~~3.~~—**Secrecy**
- ~~3.1~~ ~~3.1~~—Except in accordance with the terms of this Annex, the FCM Clearing Member agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:
- ~~3.1.1~~ ~~3.1.1~~—Confidential Material;
- ~~3.1.2~~ ~~3.1.2~~—the fact that it has received any Confidential Material;
- ~~3.1.3~~ ~~3.1.3~~—the existence of any discussions or negotiations between the parties in this matter;
- ~~3.1.4~~ ~~3.1.4~~—details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FCM Clearing Member being relieved of such an obligation because of the circumstances covered in paragraphs 2.1.1 and 2.1.2.
- ~~3.2~~ ~~3.2~~—The Clearing House undertakes to ensure that the FCM Clearing Member is fully apprised of information on the SwapClear DMP that it makes public and which is accordingly of relevance to the FCM Clearing Member's obligations.

#### ~~4.~~ ~~4.~~ **Property**

~~4.1~~ ~~4.1~~—The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FCM Clearing Member or any FCM Clearing Member, and the property in the media on which it is conveyed to the receiving party shall not pass to the FCM Clearing Member or any FCM Clearing Member unless expressly so agreed by the Clearing House in writing.

#### ~~5.~~ ~~5.~~ **Return of Confidential Material**

~~5.1~~ ~~5.1~~—Upon request by the Clearing House, and in any event upon fulfillment of the Permitted Purpose, the FCM Clearing Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so **provided that** the FCM Clearing Member is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

#### ~~6.~~ ~~6.~~ **No Representations or Warranties; No Conflict of Interest**

~~6.1~~ ~~6.1~~—Subject to paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

~~6.2~~ ~~6.2~~—The Clearing House acknowledges and agrees that, subject to compliance with the terms of this ~~Appendix Schedule~~ by the FCM Clearing Member and any of its employees or representatives to whom Confidential Material is provided in accordance with this ~~Appendix Schedule~~, the FCM Clearing Member's participation in the SwapClear DMP shall not prevent the FCM Clearing Member from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FCM Clearing Member may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FCM Clearing Member has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FCM Clearing Member or any of its directors, employees or other representatives.

#### ~~7.~~ ~~7.~~ **Liability**

~~7.1~~ ~~7.1~~—Subject to FCM Regulation ~~24,44~~ (~~Exclusion of Liability~~), the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FCM Clearing Member or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

~~7.2~~ ~~7.2~~—The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or willful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the SwapClear DMG, and for the accuracy of the information (confidential



material as defined in the Annex to this Agreement) that it distributes to the FCM Clearing Member in connection with the SwapClear DMP.

~~7.3~~ ~~7.3~~—Under no circumstances shall the Clearing House have any liability to the FCM Clearing Member for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

## ~~8.~~ ~~8.~~—Remedies

~~8.1~~ ~~8.1~~—Without affecting any other rights or remedies that the Clearing House may have, the FCM Clearing Member acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this ~~Appendix~~~~Schedule~~ and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this ~~Appendix~~~~Schedule~~.

## Confidentiality and Non-Disclosure and General Terms of Participation in SwapClear DMG

### ~~9.~~ ~~9.~~—Conflict of interest

~~9.1~~ ~~9.1~~—The FCM Clearing Member shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the SwapClear DMG, he shall promptly report his view to the Chairman of the SwapClear DMG, who shall act accordingly, taking the advice of other SwapClear DMG Members as appropriate.

### ~~10.~~ ~~10.~~—Confidentiality

~~10.1~~ ~~10.1~~—Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the SwapClear DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a SwapClear DMG Member (including, for the avoidance of doubt, the FCM Clearing Member who recommended his appointment to the SwapClear DMG ~~(“the Nominating FCM Clearing Member”)~~) or his employer (if different) or any other employee, adviser, officer or fellow worker of that FCM Clearing Member or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorized delegate, providing always that the SwapClear DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs 2.1.1 and 2.1.2.

~~10.2~~ ~~10.2~~—Subject to paragraph 10.3 below, the FCM Clearing Member shall procure that the SwapClear DMG Member shall not use any Confidential Material for any purpose other than the proper fulfillment of his duties as a SwapClear DMG Member.

~~10.3~~ ~~10.3~~—The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any SwapClear Clearing Member, the SwapClear DMG Member may be required by the Nominating FCM Clearing Member and/or his

employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the SwapClear DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may prescribed by the Clearing House and/or the SwapClear DMG with regard to the management of that default.

~~10.4~~ ~~10.4~~—Upon request by the Clearing House, and in any event upon termination of the membership of the SwapClear DMG Member of the SwapClear DMG, the FCM Clearing Member shall procure that the SwapClear DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, **provided that** the SwapClear DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

## ~~11.~~ ~~11.~~—Warranty and Representation

~~11.1~~ ~~11.1~~—The FCM Clearing Member represents and warrants that it will procure that:

~~11.1.1~~ ~~11.1.1~~—the Nominating FCM Clearing Member and the SwapClear DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

~~11.1.2~~ ~~11.1.2~~—nothing in this ~~Appendix~~Schedule will cause the SwapClear DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FCM Clearing Member or to his employer, if different, or any other contract counterparty of the SwapClear DMG Member.

## ~~12.~~ ~~12.~~—Confidentiality and Non-Disclosure: General Obligations of the Clearing House

~~12.1~~ ~~12.1~~—The Clearing House will treat all Confidential Material in the terms envisaged in this Annex to the Agreement, confining use to the SwapClear DMP, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

## ~~13.~~ ~~13.~~—Third Party Rights

~~13.1~~ ~~13.1~~—A person who is not a party to this Annex shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

~~2B~~—

## 2.2 **FOREXCLEAR**

### 2.2.1 ~~2B.1~~ **Introduction and Interpretation**

This Section ~~2B~~2.2 of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an “**FXCCM**” is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

Unless otherwise specified, all times are in local London time.

~~2B.2—The liability of the Clearing House is as set out in Regulation 32 (Exclusion of Liability), which applies to these FCM Procedures in its entirety unless provided otherwise.~~

### 2.2.2 **Users of FCM ForexClear**

The FCM ForexClear Service is an interface that processes and stores all FCM ForexClear Transactions. Those authorized by the Clearing House to submit trades (as defined below) for clearing in the FCM ForexClear Service fall into ~~three~~two categories – FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“**FX FCMs**”); ~~and~~ FCM Clients of FX FCMs ~~and Affiliates of~~ FX FCMs. ~~FX FCMs, and~~ FCM Clients of FX FCMs ~~and Affiliates of FX FCMs are collectively~~are known as ForexClear Participants (“**FXPs**”). For membership procedures, please see Section ~~4~~1 of the FCM Procedures. At least one party to each FCM ForexClear Transaction submitted to the Clearing House will be an FX FCM, acting through a client or house account; the other party may be another FX FCM or may be a ForexClear Clearing Member.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

### 2.2.3 ~~2B.3~~ **Termination of FX FCM Status**

Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; membership@lchclearnet.com) for details of how to resign from the FCM ForexClear Service.

### 2.2.4 ~~2B.4~~ **Service Scope**

#### (a) ~~2B.4.1~~ **Eligibility**

Non-Deliverable FX Transactions as defined in Part A of Schedule ~~B~~2 to the FCM ~~Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual (“**NDFs**”) may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the ForexClear Eligibility Criteria (as set out in Part B of Schedule ~~B~~2 to the FCM

Regulations Product Specific Contract Terms and Eligibility Criteria Manual).

(b) 2B.4.2 Service Operating Hours

Opening Days:

The FCM ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.

*Opening Hours:*

The FCM ForexClear Service will be open between 20:00 hours, London time, Sunday night and 01:00 hours, London time, Saturday morning ("**Opening Hours**"). The FCM ForexClear Service will not accept FCM ForexClear Transactions outside of these hours.

2.2.5 2B.5 Position Accounts

(a) 2B.5.1 FCM Accounts

For identification purposes each FCM Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM ForexClear Transactions and FCM ForexClear Contracts. An FCM Clearing Member's position and financial information are further identified by a single character code: C for client business; and H for house business.

(b) 2B.5.2 Position-Keeping Accounts

FCM Clearing Member Accounts:

The account types are: H for house business (Proprietary Account); and C for segregated client business (FCM Omnibus ForexClear Client Account with LCH). An FCM Clearing Member's FCM ForexClear Contract positions are also recorded within the FCM ForexClear Clearing System in ForexClear accounts.

All registered FCM ForexClear Contracts will be identifiable to FCM Clearing Members via ForexClear Reporting (see Section 2B.21). All registered FCM ForexClear Contracts will be maintained only in ForexClear accounts (identified as such by a unique three letter mnemonic) and separate from all accounts containing FCM Contracts attributable to other Business Categories of FCM Contracts (**provided that** FCM Contracts attributable to any Business Categories of FCM Contracts and related Collateral may be physically commingled in the same depository accounts, subject to the requirements of the Rulebook to properly segregate all FCM Client assets). Each FCM ForexClear Contract will also be assigned a unique trade identifier. The FCM Clearing Member Reporting functionality also allows each FCM Clearing Member to identify all FCM ForexClear Contracts registered in its name.

Sub-accounts within the FX FCM's Proprietary Account may be set up (e.g., for branches ~~or Affiliates~~). Each such sub-account will carry the unique Bank Identifier Code ("BIC") (or equivalent unique identifier) of the relevant branch ~~/ Affiliate (see Section 2B.5.4 below).~~

Sub-accounts within the FX FCM's Proprietary Account will be associated with the House financial account of the FX FCM and information contained across the Proprietary Account sub-accounts is consolidated into the House financial account of each FX FCM.

(c) 2B.5.3 Clients

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 47(a) (FCM Client Business and Proprietary Account Trading), the FX FCM must submit an "FCM Client Static Data" form to the Clearing House's membership department. Positions of an FCM Client will be identifiable in ForexClear Reporting through that FCM Client's BIC/unique identifier.

~~2B.5.4 Affiliates and Branches~~

~~Under FCM Regulation 5, FX FCMs are permitted to clear for Affiliates through their Proprietary accounts.~~

~~Where an FX FCM enters into an agreement with an Affiliate in accordance with FCM Regulation 5, submission of an "FCM Affiliated Client Static Data" form to the Clearing House will allow the FX FCM to be provided with one or more sub-accounts for that Affiliate (for position-keeping purposes) within that FX FCM's house account.~~

~~Because the House financial account reflects the consolidated balances and liabilities of the FX FCM's proprietary business, the balances and liabilities associated with FCM ForexClear Transactions submitted by Affiliates and/or per branch will be provided as an estimate (if applicable).~~

2.2.6 2B.6 Financial Accounts

FCM Clearing Member accounts have financial accounts associated with them. These are, *inter alia*, used to record cash balances and securities/documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

(a) 2B.6.1 Relationship with Position-Keeping Accounts

<u>Trading</u> <u>Position</u> <u>-keeping</u> <u>Account</u>	<u>Financial</u> <u>Account</u>	
<u>C</u>	<u>Client</u> <u>C</u>	<u>LCH</u> <u>ForexClear</u> <u>Client</u>
		<u>Segregated</u> <u>Depository</u>

<u>Trading Position</u> <u>-keeping</u> <u>Account</u>	<u>Financial</u> <u>Account</u>	<u>Account used for Initial</u> <u>Margin Flows</u>
<u>€</u>	Client- <u>L</u> <u>—C</u>	LCH ForexClear Client Segregated Depository Account used for <u>Initial Variation</u> Margin Flows
<u>H</u>	Client- <u>H</u> <u>—L</u> <u>House</u>	LCH ForexClear Client Segregated Depository Account used for Variation Margin Flows <u>Proprietary</u> <u>Account</u>
<u>H</u>	House- <u>Proprie</u> <u>—H</u> tary Accou nt	

The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations

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(b) ~~2B.6.2~~ *Other Financial Accounts*

At the Clearing House's<sup>21</sup> discretion, further financial accounts, used only to record financial balances, may be opened as follows:

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The E and U accounts are Cleared Swaps Customer Accounts as defined in Part -22 of the CFTC Regulations.

(c) ~~2B.6.3~~ *Default Fund (DF) Account*



Each FCM Clearing Member's Contribution is held in a separate financial account. The Default Fund account code is "F". Each FCM Clearing Member's ForexClear Contribution is held in an account that is separate from any financial account containing such FCM Clearing Member's Contribution relating to any other Business Categories of FCM Contracts.

### 2.2.7 ~~2B.7~~ **Novation and Registration**

An NDF is an FCM ForexClear Transaction (i.e., eligible for registration as an FCM ForexClear Contract) if it satisfies the FCM ForexClear Eligibility Criteria (set out in Part B of ~~the~~ Schedule ~~B2~~ to the FCM ~~Regulations~~ Product Specific Contract Terms and Eligibility Criteria Manual) at the Registration Time. The Clearing House will register (or reject) an FCM ForexClear Contract in respect of an FCM ~~—~~ ForexClear Transaction presented for registration as quickly as would be technologically practicable if fully automated systems were used (i.e. the standard required in Part 39 of the CFTC Regulations).

Where an FX FCM accepts registration of the FCM ForexClear Transaction and notifies the Clearing House of such acceptance, the FX FCM shall, pursuant to FCM Regulation ~~40(b)48(b)~~ (Registration of FCM ForexClear Contracts; ForexClear Accounts), (i) be deemed to have presented the FCM ForexClear Transaction for clearing and (ii) become obliged to furnish all Margin required by the Clearing House in connection with the registration of the FCM ForexClear Transaction upon request of the Clearing House. It is a condition for registration of an FCM ForexClear Transaction that, where both Executing Parties intend to register the FCM ForexClear Transaction through an FX FCM, both FX FCMs accept the FCM Notification (or where such Executing Parties nominate the same FX FCM, such FX FCM accepts both acceptances) and therefore submit the FCM ForexClear Transaction to the Clearing House.

Prior to registering an FCM ForexClear Contract, the Clearing House ~~—~~ will require the FX FCM in whose name such FCM ForexClear Contract ~~—~~ is to be registered to provide and maintain sufficient Margin for its Liabilities (as defined in Section ~~2B.17~~ 2.2.17) (or its estimated Liabilities) (taking into account any MER Buffer (as defined in Section ~~2B.12.2~~ 2.2.12(b)) and any MCE (as defined in Section ~~2B.12.3~~ 2.2.12(c)) made available by the Clearing House, if any) as a precondition to registration. This Margin check process is referred to as the "**Incremental Risk Check**" (as defined in Section ~~2B.8.2~~ 2.2.8(b)).

If any FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant ~~—~~ Incremental Risk Check, then any submitted and unregistered ~~—~~ FCM ForexClear Transaction to which it is a party and that is subject to such Incremental Risk Check will be rejected.

Once the FCM ForexClear Transaction has passed the Validation Checks (as defined in Section ~~2B.8.1~~ 2.2.8(a)), the Clearing House will send, via the

FCM Approved Trade Source System, a message confirming the registration of the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and including a date stamp of the relevant registration time. For the purpose of the Part III of the FCM Regulations, the time of dispatch of such message shall be the “**Registration Time**” of such FCM ForexClear Contract(s).

The definitive report of a registered FCM ForexClear Contract will be shown on the “**All Open Contracts**” report issued by ForexClear Reporting (as defined in Section ~~2B.21~~.2.2.21).

If an FX FCM is declared a defaulter, the Clearing House will not register any ForexClear Transactions to which the defaulter was a party. ForexClear Transactions between non-defaulting FX FCMs will continue to be registered (assuming sufficient Margin for their Liabilities or estimated Liabilities has been provided).

(a) ~~2B.7.1~~ Trade Capture

Once the FCM Approved Trade Source System receives the trade instructions from the FXPs who are parties to the trade, the FCM Approved Trade Source System matches both instructions (a “**trade**”). The FCM Approved Trade Source System validates the trade using the FCM ForexClear Product Eligibility Criteria as set forth in Part B to Schedule ~~B2~~ to the FCM ~~Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual (the “**FCM ForexClear Eligibility Criteria**”) and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as an “**FCM ForexClear Transaction**”. Once the Clearing House receives the FCM ForexClear Transaction message, it will send a message of acknowledgement back via the FCM Approved Trade Source System that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the Validation Checks are rejected. Rejections are reported back to the FCM Approved Trade Source System.

The Clearing House will provide FCM ForexClear Transaction/FCM ForexClear Contract (as applicable) updates as and when these change (e.g., for acceptance, rejection and novation).

(b) ~~2B.7.2~~ ForexClear FCM Approved Trade Source Systems

~~Currently~~Application for approved trade source system status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source System-designated Systems currently approved by the Clearing House for ForexClear are MarkitSERV and Traianais available on the Clearing House's website. Where the Clearing House approves

additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM ForexClear Transactions submitted through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

The Clearing House is not able to, and will not, verify the authorization of the source of any details of any FCM ForexClear Transaction reported to it for registration by an FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FX FCM suffers any loss through the unauthorized input of details into a system of an FCM Approved Trade Source System.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM ForexClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System and the terms of such relationship may entitle the FCM Approved Trade Source System to suspend the ability of an FX FCM to make submissions from time to time.

FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract, unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 41.49 (Cancellation of FCM ForexClear Contracts).

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

~~2.2.8~~ ~~2B.8~~ **Trade Validation and Registration**

~~(a)~~ ~~2B.8.1~~ **Process flow description**

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below) and Incremental Risk Checks (as defined in Section ~~2B.8.2~~2.2.8(b)) required for FCM ForexClear Transactions (together the “**Validation Checks**”).

The fields checked are as follows:

- ~~(i)~~ **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the “**Counterparty Technical Validation Check**”);
- ~~(ii)~~ **Trade type:** is the instrument type an NDF?
- ~~(iii)~~ **Economic Terms:** does the trade include all the Economic Terms (as defined in Part A of Schedule ~~B2~~ to the FCM ~~Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual)?
- ~~(iv)~~ **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule ~~B2~~ to the FCM ~~Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual)?
- ~~(v)~~ **Settlement Currency:** is the Settlement Currency USD?
- ~~(vi)~~ **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three Business Days immediately following the date on which the trade is submitted to the Clearing House for registration (the “**Submission Date**”) and (b) not later than the date falling two calendar years plus two Business Days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 hours, London time), the Submission Date is defined as the next good business day.

- (vii) **Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows the relevant Business days for determining the Valuation Date and Settlement Date:<sup>2</sup>

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
USD-BRL	BRS & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	USD	New York City
USD-CLP	USD & CLP	New York and Santiago	USD	New York City
USD-CNY	CNY	Beijing	USD	New York City
USD-COP	USD & COP	New York and Bogata	USD	New York City
USD-IDR	IDR	Jakarta	USD	New York City
USD-INR	INR	Mumbai	USD	New York City
USD-KRW	KRW	Seoul	USD	New York City
USD-MYR	MYR	Kuala Lumpur	USD	New York City
USD-PHP	PHP	Manila	USD	New York City
USD-RUB	USD & RUB	New York and Moscow	USD	New York City
USD-TWD	TWD	Taipei	USD	New York City

<sup>2</sup> - As amended from time to time as per the relevant EMTA Template.

Trades that pass the Validation Checks are accepted and two trade records are created for the FCM ForexClear Transaction: one for the FCM ForexClear Contract between the Clearing House and the first FX FCM to the FCM ForexClear Transaction and the other for the FCM ForexClear Contract between the Clearing House and the second FX FCM to the FCM ForexClear Transaction (or the ForexClear Contract between the Clearing House and the ForexClear Clearing Member to the corresponding ForexClear Transaction pursuant to the UK General Regulations).

Provided each FXCCM has sufficient Margin, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection.

As provided in Section ~~2B.7~~.2.2.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “**ForexClear ID**”). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

~~(b) 2B.8.2~~ *Incremental Risk Checks*

The Clearing House will apply an “**Incremental Risk Check**” to each individual FCM ForexClear Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FX FCM’s Liabilities (including the new FCM ForexClear Transaction) against available Margin (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any FCM ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FX FCM’s Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

Both FXCCMs to the FCM ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two FCM ForexClear Contracts (or one FCM ForexClear Contract and one



Non-FCM ForexClear Contract, as applicable) in those FXCCM<sup>21</sup>'s names.

If either (or both) FXCCM(s) to an FCM<sup>22</sup> ForexClear Transaction fail(s) the Incremental Risk Check(s), then the FCM ForexClear Transaction will be rejected immediately, and a rejection message will be issued to the FCM Approved Trade Source System indicating which (or both) FXCCM(s) has failed the Incremental Risk Check(s).

(c) ~~2B.8.3~~ *Registration*

Once it is confirmed that the transaction has passed the Validation Checks for the relevant FXCCMs, the Clearing House:

~~(a)~~(i) registers the FCM ForexClear Transaction as two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) and changes the status for the FCM ForexClear Transaction to “NOVATED” and informs the FCM Approved Trade Source System; and

~~(b)~~(ii) in respect of relevant FCM ForexClear Contracts being cancelled, cancels the relevant FCM ForexClear Contracts and changes the FCM ForexClear Contract status of each relevant FCM ForexClear Contract to “CANCELLED”.

The Clearing House acknowledges the FCM ForexClear Contract status and sends a message to the FCM Approved Trade Source System that the FCM ForexClear Transaction/FCM ForexClear Contract (as the case may be) is either “NOVATED” or “CANCELLED” as appropriate.

(d) ~~2B.8.4~~ *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register an FCM ForexClear Transaction; or (iii) accept or reject a cancellation request for an FCM ForexClear Contract or an FCM ForexClear Transaction, in each case manually prior to a Margin Run, (e.g., in the case of a default event, when an FCM ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject an FCM ForexClear Transaction received from a defaulted FX FCM).

The Clearing House acknowledges the action and sends a status message to the FCM Approved Trade Source System of either “REJECTED” in respect of trades being manually rejected; “NOVATED” in respect of trades being manually registered; and “CANCELLED” in respect of an FCM ForexClear Contract or an FCM ForexClear Transaction being manually cancelled, as appropriate.

(e) ~~2B.8.5~~ Trade Cancellation

The Clearing House accepts cancellation messages from Executing Parties against both non-novated trades (FCM ForexClear Transactions) and novated trades (FCM ForexClear Contracts).

With respect to any FCM ForexClear Contract, cancellation messages may be submitted via the FCM Approved Trade Source System until such FCM ForexClear Contract is “fixed” (i.e., when its Settlement Rate has been determined on the relevant Valuation Date).

A successful cancellation message results in a “CANCELLED” status message if the FCM ForexClear Transaction or the FCM ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FX FCM via the FCM Approved Trade Source System.

(f) ~~2B.8.6~~ Process flow description

The Clearing House accepts trade cancellation instructions from the FCM Approved Trade Source System for FCM ForexClear Transactions or FCM ForexClear Contracts (as the case may be) that have previously been submitted to the FCM ForexClear Service. Cancellation instructions must include the ForexClear ID.

The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) an FCM ForexClear Transaction or FCM ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the case of an FCM ForexClear Contract only, an FCM ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

Where a trade has already been rejected (as a result of having failed a Counterparty Technical Validation Check), the FCM ForexClear Service sends a “CANCEL REJECTED” message to the FCM Approved Trade Source System for the relevant FXPs.

All trade cancellation instructions must pass the Incremental Risk Check. If any FX FCM does not have sufficient Margin for its Liabilities or estimated Liabilities (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FX FCM's Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.



(g) ~~2B.8.7~~ *Trade Amendment*

No amendment of the financial terms of an FCM ForexClear Transaction or FCM ForexClear Contract is permitted. FX FCMs who wish to change the FCM Client information on a ForexClear Transaction should contact ForexClear Business Operations at 0207 426 3729 for further information.

(h) ~~2B.8.8~~ *Valuation Date Event Management*

The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each FCM ForexClear Contract.

On the Valuation Date with respect to each FCM ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in Schedule ~~B2~~ to the FCM ~~Regulations~~ Product Specific Contract Terms And Eligibility Criteria Manual). The Market Data provider for Settlement Rates is Reuters.

The FCM ForexClear Service applies the relevant Settlement Rate to FCM ForexClear Contracts using the following criteria:

- (i) Settlement Rate Option source code (as below)
- (ii) Valuation Date

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

<b>Currency Pair</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>
USD-BRL	BRL PTAX (BRL09)
USD-CLP	CLP DÓLAR OBS (CLP10)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR JISDOR (IDR04)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-MYR	MYR PPKM (MYR03)
USD-PHP	PHP PDSPEO (PHP06)
USD-RUB	RUB CME-EMTA (RUB03)
USD-TWD	TWD TAIFX1 (TWD03)

The Clearing House applies the Settlement Rate to all relevant FCM ForexClear Contracts at a predefined time (~~see Section 2B.8.8 below~~) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per FCM ForexClear Contract. FX FCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FX FCMs.

~~(i) 2B.8.9~~ *Valuation Date Event Management: Process flow description*

After the Registration Time for an FCM ForexClear Contract, the FCM ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.

On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the FCM ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each FCM ForexClear Contract in the Settlement Currency by applying the relevant Settlement Rate Option as published.

If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

(j) ~~2B.8.10~~ — Settlement

With respect to each FCM ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the FCM ForexClear Contract Terms (see Part A of Schedule ~~B2~~ to the FCM ~~Regulations~~Product Specific Contract Terms And Eligibility Criteria Manual).

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open FCM ForexClear Contracts will have resulted in VM credits and debits between the parties (as set out in Section ~~2B.10.2~~-2.2.10(b)). With respect to each FCM ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net VM which has been paid/received through the term of the FCM ForexClear Contract, the result of which is a Net Settlement Amount (“NSA”), which will be reflected in the FX FCMs’~~2~~ cash accounts with the Clearing House on the Settlement Date. As such, with respect to each FCM ForexClear Contract, the payment in full of all the VM required during the term of such FCM ForexClear Contract shall satisfy the relevant party’~~2~~s obligation to pay the Settlement Currency Amount on the Settlement Date of such FCM ForexClear Contract. For the purpose of providing Nostro reconciliation, to the relevant parties, the Clearing House will provide Reporting (as defined in Section ~~2B.21~~2.2.21 of these FCM Procedures) which will reflect an entry for the “**Settlement Currency Amount**” and a separate entry for the reversal of the aggregate net Variation Margin which has been paid/received through the term of the FCM ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the FCM ForexClear Contract Terms.

(k) ~~2B.8.11~~ — Reference Data

Holiday Event Calendar:

The FCM ForexClear Service uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, ~~INC~~Inc.) (“**SwapsMonitor Financial Calendar**”) in order to determine holidays. This requires all FCM ForexClear Participants to be licensees of the SwapsMonitor Financial Calendar.

When a change is declared that affects the SwapsMonitor Financial Calendar that is referenced on FCM ForexClear, a corresponding calendar adjustment will be made to the FCM ForexClear system. The Clearing House may temporarily close the FCM ForexClear Service to process a calendar adjustment in its clearing system. FX FCMs will be notified in advance of the date, time and expected duration of such closure.

Date Adjustment:

As a result of the calendar adjustment process, the Valuation Date and/or the Settlement Date of any affected FCM ForexClear Contracts will automatically be date adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House will notify the FX FCMs via file download from the Clearing Member Reporting as to the FCM ForexClear Contracts affected and the date adjustments made.

#### 2.2.9 ~~2B.9~~ **Market Data**

##### (a) ~~2B.9.1~~ **Sources used by FCM ForexClear Service**

The FCM ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section ~~2B.9.2~~2.2.9(b)) in relation to each Currency Pair:

- (i) FX spot rates (“**FX Spot Rates**”);
- (ii) FX swap points (“**FX Swap Points**”);
- (iii) Settlement Rate Option;
- (iv) Interest rate curves (see Section ~~2B.9.5~~2.2.9(e) below) (“**Interest Rate Curves**”);
- (v) USD LIBOR Curve;
- (vi) PAI rates (“**PAI Rates**”); and
- (vii) Country credit spreads (see Section ~~2B.9.6~~2.2.9(f) below) (“**Country Credit Spreads**”),

together, “**Market Data**”.

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs (including FX FCMs) during the Opening Hours (as defined in Section ~~2B.4.2~~2.2.4(b)).

##### (b) ~~2B.9.2~~ **Market Data Sources and Frequencies**

The Clearing House receives the following updated raw prices:

FX Spot Rates:

- (i) Source – ~~contributing~~ FXCCMs (including FX FCMs).
- (ii) Frequency - every time updated by ~~contributing~~ FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.

FX Swap Points:

- (i) Source - ~~contributing~~all FXCCMs (including FX FCMs).
- (ii) Frequency - every time updated by ~~contributing~~ FXCCMs (including FX FCMs) up to a maximum rate of once every five minutes.
- (iii) Tenors – as shown in the table below.

Tenor
S/N
1 week
1 month
2 months
3 months
6 months
12 months
24 months

Settlement Rate Options:

- (i) Source - Reuters.
- (ii) Frequency - when published (at the times shown in the table in Section ~~2B.9.3~~ 2.2.9(c) below).

Interest Rate Curves:

- (i) Source - internal Clearing House
- (ii) Frequency - at each SwapClear margin run.

Country Credit Spreads:

- (i) Source - Bloomberg.
- (ii) Frequency - when published.

USD LIBOR Curve:

- (i) Source - SwapClear.
- (ii) Frequency - at each SwapClear margin run.

PAI rates:

- (i) Source - LCH Treasury.
- (ii) Frequency - Daily.

(c) ~~2B.9.3~~ Market Data

Reference Currency	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)	Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)
BRL	BRL PTAX (BRL09)	13:15 (São Paolo)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)
COP	COP TRM (COP02)	10:30 (Bogota)
IDR	IDR JISDOR (IDR04)	10:00 (Jakarta)
INR	INR RBIB (INR01)	12:30 (Mumbai)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
MYR	MYR PPKM (MYR03)	11:10 (Kuala Lumpur)
PHP	PHP PDSPEO (PHP06)	11:30 (Manila)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
TWD	TWD TAIFX1 (TWD03)	11:00 – 12:00 (Taipei)

(d) ~~2B.9.4~~ Market Data Provision to FX FCMs

Market Data used in a Margin Run is made available to FX FCMs via ForexClear Reporting (as defined in Section ~~2B.21~~.2.2.21).

(e) ~~2B.9.5~~ Curve Building in ForexClear

FX Curve (Zero Coupon/Market Rate Curve):

The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House's and FXCCM's (including FX FCM) risk and trading representatives) ("RTWG"). The USD LIBOR Curve

is used for discounting; the FX curve is used for capitalization of forward cash flows.

Interest Rate Curve:

The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

Curve Use:

End of day is defined as 22.00 hours, London time (“EOD”). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in Section ~~2B.16.2~~:2.2.16(b)):

•(i)     FX Spot Rates; and

•(ii)     FX Swap Points.

(f) ~~2B.9.6~~ *Country Credit Spreads*

The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile, South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

#### 2.2.10 ~~2B.10~~ *FCM ForexClear Contract Valuation*

(a) ~~2B.10.1~~ *Net Present Value (“NPV”)*

From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each FCM ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value ~~(being valued using the data submitted by FXCCMs, in accordance with Sections 2B.9.2).~~

On the Valuation Date, the Settlement Rate is used to value the FCM ForexClear Contract.

If Valuation Postponement applies, the FCM ForexClear Contract is valued using the current forward price ~~(based on the data submitted by FXCCMs in accordance with Sections 2B.9.2)~~ to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

(b) ~~2B.10.2~~ *Variation Margin (“VM”)*

VM for each FCM ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. With respect to each FX FCM, the net sum of the VM for all open FCM ForexClear

Contracts is credited to or debited from such FX FCM once a day, following the EOD Margin Run.

Cover for VM (adjusted by PAI, as set out below) will be paid each business day by or to each FX FCM in respect of all of its open FCM ForexClear Contracts. The VM will be calculated in, and must be paid in, USD.

With respect to each FCM ForexClear Contract, VM is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

~~2B.10.3~~——Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house "H" account and each client "C" account (subject to the Default Rules).

(c) Reporting Breakdown

ForexClear margin reports show the portfolio of open FCM ForexClear Contracts of each FX FCM by Currency Pairs and in the Settlement Currency (i.e., USD).

(d) ~~2B.10.4~~——Price Alignment Interest ("PAI")

The effect of daily cash VM movements results in the need for PAI. Without this adjustment, the pricing of FCM ForexClear Contracts would differ from identical uncleared trades, as cash earned from favorable daily price moves would be priced into the product.

(e) ~~2B.10.5~~——PAI Calculation Methodology

PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section ~~2B.10.5~~.2.2.10(e), "T" means any given business day; "T-1" means the business day immediately preceding T; "T+1" means the business day immediately following T; and "MTM" means the total value (expressed in USD) of an FXCCM's portfolio open of FCM ForexClear Contracts after valuation in accordance with Section ~~2B.10.2~~.2.2.10(b) at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

Principles:

- (i) MTM is calculated at EOD on T-1.



- (ii) Change in MTM (net VM in respect of an FX FCM's portfolio of open ForexClear Contracts) is paid/ received on the morning of T.
- (iii) PAI Rate for T to be applied is known at EOD T.
- (iv) PAI is calculated on the night of T, for MTM of T-1 for FCM ForexClear Contracts up to the business day before their Settlement Date.
- (v) PAI is paid / received on morning of T+1 via PPS.

Components:

- (i) PAI Rate (annualized interest applied to an FX FCM's MTM).
- (ii) MTM
- (iii) Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

So:

- (i)  $PAI\ T = PAI\ Rate \times MTM_{T-1} \times Accrual\ Factor.$

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

#### (f) ~~2B.10.6~~ *VM/PAI Adjustment*

With respect to each FX FCM, the Clearing House makes the following adjustment to the VM at EOD:

- (i) if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) paid an amount in VM greater than the amount of VM it has received, such FX FCM will receive PAI; and
- (ii) if, with respect to its portfolio of open FCM ForexClear Contracts, such FX FCM has (to but excluding the relevant EOD) received an amount in VM greater than the amount of VM it has paid, such FX FCM will pay PAI.

#### 2.2.11 ~~2B.11~~ *Initial Margin ("IM")*

The Clearing House will require FX FCMs to furnish it with IM. This amount will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FX FCM, it is calculated for the portfolio of open FCM ForexClear Contracts and FCM ForexClear

Transactions using ForexClear's Portfolio Analysis and Risk ("F~~x~~PAR") margining model. F~~x~~PAR is based on a modified filtered historical simulation value-at-risk methodology. All open FCM ForexClear Contracts and FCM ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the IM requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. FX FCMs will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

F~~x~~PAR uses ~~market~~ the historical (5 year) data submitted by FXCCMs pursuant to Section ~~2B.9~~2.2.9, which is adapted to current market prices.

Separate Initial Margin calculations are performed for an FX FCM's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub-Account therein. No offset between the "C" and "H" accounts is permitted.

The Clearing House reserves the right to require additional amounts of Margin from a specific FX FCM or from all FX FCMs in accordance with FCM Regulation ~~9~~ 14 (Margin and Collateral).

(a) ~~2B.11.1~~ *Credit Risk Multiplier ("CRiM")*

The CRiM applied will consider the FX FCM's credit worthiness, Initial Margin level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.

(b) ~~2B.11.2~~ *Liquidity Risk Multiplier ("LRMM")*

Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of FCM ForexClear Contracts, the LRMM is applied and additional IM is charged. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the "FXDMG") according to tenor and notional concentration. The thresholds are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

LRMM increases IM called due to concentrated Currency Pair exposure by tenor of FCM ForexClear Contracts. Additional IM is called to mitigate the risk of a position not being closed out in seven days and/or the extra hedging costs that may be incurred.

The Clearing House calculates and applies LRMM as part of each Margin Run, based on the IM for each Currency Pair in the FX FCM's house position-keeping account.

(c) ~~2B.11.3~~ *Sovereign Risk multiplier ("SRM")*

An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact FCM ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

- (i) ~~i.~~ the probability of sovereign default or a regime change event occurring; and
- (ii) ~~ii.~~ the depreciation or appreciation risk of the Reference Currencies.

The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.

The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the FX FCM's house position-keeping account.

#### ~~2.2.12 2B.12~~ *Additional Margin, MER Buffer, MCE and Intraday Margin Calls*

##### ~~(a) 2B.12.1~~ *Additional Margin*

The Clearing House may require an FX FCM to furnish additional amounts of Margin (in addition to Initial Margin and Variation Margin) as security for the performance by an FX FCM of its obligations to the Clearing House in respect of FCM ForexClear Contracts to which such FX FCM is a party in accordance with FCM Regulation ~~9.14~~ *(Margin and Collateral)*. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM ForexClear Contracts to which such FX FCM is a party not adequately covered by Initial Margin or Variation Margin. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Fund ~~Rules Supplement~~ have increased.

##### ~~(b) 2B.12.2~~ *Minimum Excess Requirement Buffer ("MER Buffer")*

To facilitate the intraday registration of FCM ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FX FCM, separately in respect of its Proprietary Account and each of its FCM Client Sub-Accounts, an amount of IM referred to as "**Minimum Excess Requirement Buffer**" ("MER Buffer") in respect of that FX FCM's and its FCM Clients' potential intraday Liabilities (as defined below in Section ~~2B.17~~ 2.2.17) for the following day. MER Buffer is part of the FX FCM's Required Margin. An FCM's MER Buffer is calculated in respect of an FCM's Proprietary Account and each of its

FCM Client Sub-Accounts, and Margin furnished in respect of MER Buffer is credited to each account (as applicable) as IM.

The required amount of MER Buffer for each applicable account of an FX FCM is expressed as a percentage of start-of-day portfolio IM for such account. The MER Buffer for each account is calibrated daily based on recent activity within the relevant account such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative IM changes over a given number of historical business days.

The parameters of the MER Buffer model are: MER percentile, MER look-back period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the FX FCM's IM history across the ForexClear Service.

As FCM ForexClear Contracts are registered in an FX FCM's relevant accounts, the Clearing House will, in accordance with the Margin Run process, calculate the FX FCM's intraday Liabilities (or, in the case of an Incremental Risk Check, the FX FCM's estimated Liabilities), taking into account any IM posted as MER Buffer in the applicable account.

At each EOD Margin Run, the Clearing House will recalculate and call the FCM's Required Margin, which includes MER Buffer for all accounts.

(c) ~~2B.12.3~~ Mutualized Credit Extension ("MCE")

If an FX FCM has insufficient Margin attributed to an account to enable the registration of further FCM ForexClear Contracts in such FCM Client Sub-Account or its Proprietary Account, then the Clearing House may make available to an FX FCM intraday credit (in the form of intraday Initial Margin for rebearance) by way of a Mutualized Credit Extension ("MCE") to enable the FX FCM to register further FCM ForexClear Contracts. An FX FCM may utilize MCE intraday on a one-to-one basis to the value of the IM that would have been required to cover that FX FCM's Liabilities (or, in the case of Incremental Risk Checks, the FX FCM's estimated Liabilities). The amount of the MCE made available to an FX FCM in aggregate during any one day must not exceed an amount that is the lesser of: (a) 50% per cent. of the ForexClear MCE Default Fund Buffer; or (b) the sum of the FX FCM's IM and ForexClear Contribution. The amount of the "ForexClear MCE Default Fund Buffer" is currently zero and therefore the Clearing House will not provide MCE to any FX FCM until further notice.

For the avoidance of doubt, MCE is provided in the form of intraday Initial Margin for rebearance and an FX FCM's utilization of MCE does not give rise to any payment or transfer of Collateral by the Clearing

House nor does it result in any use of the ForexClear Fund Amount (except in events of default).

All MCE credit extended on any given day shall be revoked at the close of business on such day (unless revoked earlier in accordance with the following paragraph). As part of each EOD Margin Run, the Clearing House will call IM from each FX FCM to replace any utilized MCE and that FX FCM's MCE will be reset for the following day (assuming such FX FCM has satisfied any margin calls). Any failure of an FCM Clearing Member to satisfy an IM call relating to the replacement of MCE constitutes a default by such FCM Clearing Member—just as any failure by an FCM Clearing Member to satisfy any other type of IM call constitutes a default.

The MCE is made available at the Clearing House's sole discretion. In particular (but without limitation), the Clearing House may refuse to extend MCE to any or all FX FCMs on risk management grounds, and may at any time require an FXCCM to provide IM in place of any utilized MCE.

(d) ~~2B.12.4~~ Intra-day Margin Calls

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for furnishing of Margin on the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the business day (08:30 to 21:00 hours, London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section ~~2B.22.3~~ 2.2.22(c)).

In certain circumstances the Clearing House may wish to make a call for additional Collateral Margin after the closure of LondonUK PPS facilities at 16:00 hours, London time. In this event the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section ~~3.2.2~~ 3.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2.2.13 ~~2B.13~~ Initial Margin Management Events Service ("IMMES")

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts amongst participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

FX FCMs who wish to obtain further information about, or to participate in, IMMES should contact ForexClear Business Operations at 0207 426 7527. To be eligible to participate in IMMES, an FX FCM must enter into an IMMES agreement with the Clearing House (the "**IMMES Agreement**").

(a) ~~2B.13.1~~ *Step-by-step details*

The Clearing House usually conducts the IMMES at least monthly.

A reminder that there is an IMMES run taking place is sent out the week before to each FXCCM which is a party to an IMMES Agreement with LCH and each FXCCM is asked to confirm their participation.

On the day of the scheduled IMMES run, the Clearing House analyses all participating FXCCMs' profiles to find FCM ForexClear Contracts and ForexClear Contracts with equivalent and opposite delta values by tenor and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of IM reduction (the "IMMES Trades").

The Clearing House then analyses the relevant FX FCM's FCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, IM, delta and zero yield sensitivity from the IMMES Trades.

The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.

If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the FCM Approved Trade Source System for registration.

~~2.2.14 2B.14~~ *Intra-Day Margin Call: Collateral Management*

(a) ~~2B.14.1~~ *General – Intra-day Margining*

Following an intra-day margin call (except as notified otherwise by an FX FCM at the time of an intra-day margin call), the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FX FCMs PPS account to cover that intra-day margin call.

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

Each FCM Clearing Member must ensure that it has sufficient cash funds in place with their PPS Bank(s) in order to avoid any intra-day liquidity issues.

~~2.2.15 2B.15~~ *General Margining Process*

A "Margin Run" is the process by which the Clearing House calculates an FX FCM's Initial Margin requirement (if any) and, during an EOD Margin Run, its Variation Margin requirement and PAI adjustment (if required) (together its "Margin Requirements") and applies that FX FCM's Margin to

satisfy the Margin Requirements for that FX FCM in respect of the FCM ForexClear Contracts within that FX FCM's portfolio.

#### 2.2.16 ~~2B.16~~ *Types of Margin Runs*

There are three types of Margin Run:

##### (a) ~~2B.16.1~~ *ITD / Ad Hoc – Day Margin Run*

ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FX FCMs from time to time (the “**Schedule**”) or as necessary, and are performed in the time period during which a PPS call can be made (the “**ITD/Ad-hoc Day Margin Run**”). PPS times are published on the Clearing House's website at: [http://www.lchclearnet.com/risk\\_management/ItD/pps/](http://www.lchclearnet.com/risk_management/ItD/pps/) at: [http://www.lchclearnet.com/risk\\_management/ItD/pps/](http://www.lchclearnet.com/risk_management/ItD/pps/).

ITD/Ad-hoc Margin Runs are calls in respect of Initial Margin only. Variation Margin and PAI are not included in ITD/Ad-hoc Margin Runs.

##### (b) ~~2B.16.2~~ *EOD Margin Run*

The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 24:00 hours, London time, on that business day (the “**EOD Margin Run**”).

EOD Margin Runs are calls in respect of Initial Margin as well as Variation Margin, NSA and PAI.

##### (c) ~~2B.16.3~~ *ITD / Ad Hoc - Night Margin Run*

ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the “**ITD/Ad-hoc Night Margin Run**”).

ITD/Ad-hoc Night Margin Runs are calls in respect of Initial Margin only. Variation Margin, NSA and PAI are included in ITD/Ad-hoc Night Margin Runs, but only as a component of IM.

#### 2.2.17 ~~2B.17~~ *Margin Run Process*

Margin Runs cover all registered FCM ForexClear Contracts with the status “NOVATED”.

Margin runs will be carried out for each FCM ForexClear Contract and FCM ForexClear Transaction (as the case maybe) until (and including) the later of:

- (a) EOD Margin Run on the Settlement Date; or



- ~~(b)~~ EOD Margin Run after the Settlement Rate is published.

During every Margin Run the Clearing House calculates the Initial Margin required and (where applicable) the Variation Margin and PAI required to cover each FX FCM's relevant open FCM ForexClear Contracts and FCM ForexClear Transactions (each, a "Liability" and together the "Liabilities").

Each FX FCM's Liability is offset against that FX FCM's non-cash Collateral account (being a sub-account of the FX FCM's financial account) (for IM only) or funds in that FX FCM's cash account (being a sub-account of the FX FCM's financial account) (for VM/PAI/IM). Initial Margin will always be a Liability (payable to the Clearing House) and Variation Margin, NSA and PAI may be a cash posting or a Liability (payable by, or to, the Clearing House, respectively).

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 Services portal (being a secure website made available to FXCCMs) (the "ForexClear Service Portal") which provides reports (at the times specified in Section ~~7.1~~2.2.21) informing FX FCMs of their (i) total Liabilities under the FCM ForexClear Service; (ii) current total 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 2B.18~~ *Transfer of FCM Clients; Defaulting FCM Clients and Affiliates*

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 813 (Transfer) and these FCM Procedures.

##### ~~(a) 2B.18.1~~ *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 ForexClear Contracts held with a Carrying ~~FCM~~ Clearing Member, it shall provide the Clearing House with an FCM Client Partial Transfer Form (see ~~Appendix 2B.A~~;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 ~~FCM~~ Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Section ~~2B.18.4.2.2.18(d)~~.

In the event that any of the applicable conditions set forth in FCM Regulation ~~8(e)13 (Transfer)~~ are not satisfied, and the Carrying ~~FCM~~ Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts.

(b) ~~2B.18.2~~ *Full Transfers of FCM Clients*

Where a Receiving ~~FCM~~ Clearing Member wishes, on behalf of an FCM Client, to receive a transfer of such FCM Client's<sup>2</sup> entire portfolio of FCM ForexClear Contracts held with a Carrying ~~FCM~~ Clearing Member, it shall provide the Clearing House with an FCM Client Full Transfer Form (see ~~Appendix 2B.B), Schedule 2.2B~~), signed on behalf of the relevant FCM Client. Such form shall confirm that all FCM ForexClear Contracts attributable to the applicable FCM Client shall be transferred pursuant to this procedure. Where a Receiving ~~FCM~~ Clearing Member submits an FCM Client Full Transfer Form, it must confirm whether or not the FCM Client also wishes to transfer the Collateral held by the Clearing House in respect of the transferring FCM ForexClear Contracts. Following receipt of an FCM Client Full Transfer Form, the Clearing House shall notify the Carrying ~~FCM~~ Clearing Member that a request has been received to transfer FCM ForexClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in Section ~~2B.18.4.2.2.18(d)~~.

In the event that any of the applicable conditions set forth in FCM Regulation ~~8(b)13 (Transfer)~~ are not satisfied, and the Carrying ~~FCM~~ Clearing Member notifies the Clearing ~~H~~House that they have not been satisfied using the Carrying Member Response Form (see ~~Appendix 2B.C) Schedule 2.2C~~) the Clearing House shall not proceed with the transfer of the FCM ForexClear Contracts or the transfer of Collateral (when applicable).

Following receipt of a Full Transfer Form, the Carrying ~~FCM~~ Clearing Member shall not be permitted to register additional FCM ForexClear Contracts on behalf of the FCM Client whose FCM ForexClear Contracts are subject to transfer, until such transfer (and the transfer of the related Collateral, if applicable) is actually effected or is rejected.

(c) ~~2B.18.3~~ *Collateral Transfers*

Where a Receiving ~~FCM~~ Clearing Member notifies the Clearing House that an FCM Client wishes to transfer Collateral from a Carrying ~~FCM~~ Clearing Member to a Receiving ~~FCM~~ Clearing Member, the Clearing

House shall notify the Carrying ~~FCM~~ Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying ~~FCM~~ Clearing Member shall confirm to the Clearing House (using the Carrying Member Response Form at ~~Appendix 2B.C~~) Schedule 2.2C which Collateral is attributable to the transferring FCM Client and the associated FCM ForexClear Contracts. In the event that the Carrying ~~FCM~~ Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash Collateral attributed to the FCM Clearing Member's FCM Omnibus ForexClear Client Account with LCH (such Collateral as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the Collateral that is to be transferred, it shall notify the Carrying ~~FCM~~ Clearing Member and the Receiving ~~FCM~~ Clearing Member of the Collateral that will be transferred in accordance with the timetable below.

In the event that any of the applicable conditions set forth in FCM Regulation ~~8~~ 13 (Transfer) are not satisfied, and the Carrying ~~FCM~~ Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related Collateral. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated Collateral will not be transferred and, in order to proceed with the transfer of the associated FCM ForexClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient Margin in respect of the transferring FCM ForexClear Contracts.

In the event that the Clearing House transfers Collateral pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day Variation Margin and Net Settlement Amount associated with the transferring FCM ForexClear Contracts.

(d) 2B.18.4 ~~Timetable for FCM Client Transfer~~

<b>Time</b> <b>(all references below are to New York time, unless stated otherwise)</b>	<b>Partial Transfer</b>	<b>Full Transfer (with Collateral)</b>	<b>Full Transfer (without Collateral)</b>
Day 0: 15:00	Deadline for receipt from Receiving <del>FCM</del> Clearing Member of	Deadline for receipt from Receiving <del>FCM</del> Clearing Member	Deadline for receipt from Receiving <del>FCM</del> Clearing Member of FCM Full Transfer

<b>Time</b> (all references below are to New York time, unless stated otherwise)	<b>Partial Transfer</b>	<b>Full Transfer (with Collateral)</b>	<b>Full Transfer (without Collateral)</b>
	FCM Client Partial Transfer Form.	of FCM Full Transfer Form and confirmation that Collateral is to be transferred.	Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM ForexClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that:— (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation <del>8(e)(v)13</del> (Transfer)) and that the Carrying FCM Clearing	Deadline for notification (if any) from Carrying FCM Clearing Member that:— (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation <del>8(b)(v)13</del> (Transfer)) and	Deadline for notification (if any) from Carrying FCM Clearing Member that:— (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation <del>8(b)(v)13</del> (Transfer)) and that the Carrying

<b>Time</b> (all references below are to New York time, unless stated otherwise)	<b>Partial Transfer</b>	<b>Full Transfer (with Collateral)</b>	<b>Full Transfer (without Collateral)</b>
	Member is therefore objecting to the transfer.	that the Carrying <del>FCM</del> Clearing Member is therefore objecting to the transfer.  Deadline for confirmation from Carrying <del>FCM</del> Clearing Member of the <del>Collateral</del> which is to be ported to the Receiving <del>FCM</del> Clearing Member.	<del>FCM</del> Clearing Member is therefore objecting to the transfer.
Day 2: 11:00		LCH notifies the Receiving <del>FCM</del> Clearing Member <u>of the Collateral that will be transferred or that Collateral will not be transferred.</u>  <del>Where Collateral will not be transferred, transfer is treated as a full transfer (without Collateral).</del>  <u>Where Collateral will not be transferred, transfer is treated as a full transfer (without Collateral).</u>	

Time (all references below are to New York time, unless stated otherwise)	Partial Transfer	Full Transfer (with Collateral)	Full Transfer (without Collateral)
Day 2: 17:00	Deadline for receipt by the Clearing House of consent of transfer from the Receiving <del>FCM</del> Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated Collateral from the Receiving <del>FCM</del> Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving <del>FCM</del> Clearing Member.
Day 3: 07:00	Target deadline for notification by Clearing House to the Carrying <del>FCM</del> Clearing Member or the Receiving <del>FCM</del> Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Carrying <del>FCM</del> Clearing Member or the Receiving <del>FCM</del> Clearing Member of whether any additional Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Carrying <del>FCM</del> Clearing Member or the Receiving <del>FCM</del> Clearing Member of whether any additional Collateral is required to enable the transfer.
Day 3: 08:00	Deadline for receipt by Clearing House of any additional Collateral from the Carrying <del>FCM</del> Clearing Member or the Receiving <del>FCM</del> Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Collateral from the Carrying <del>FCM</del> Clearing Member or the Receiving <del>FCM</del> Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Collateral from the Carrying <del>FCM</del> Clearing Member or the Receiving <del>FCM</del> Clearing Member required to enable the transfer.
Day 3: 08:15	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be	Clearing House performs the transfer process of certain FCM ForexClear	Clearing House performs the transfer process of certain FCM ForexClear Contract(s) to be

Time (all references below are to New York time, unless stated otherwise)	Partial Transfer	Full Transfer (with Collateral)	Full Transfer (without Collateral)
	included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralized to enable the transfer.	Contract(s) to be included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralized to enable the transfer.	included within the 14:00 (London time) Risk Run, providing both FCM are sufficiently collateralized to enable the transfer.
Day 3: 09:00	Clearing House transfers FCM ForexClear Contracts.	Clearing House transfers FCM ForexClear Contracts and associated Collateral.	Clearing House transfers FCM ForexClear Contracts.
Day 3: 10:00	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts.	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member the relevant transfer reporting in relation to the transferred FCM ForexClear Contracts.	Clearing House will publish to the Carrying FCM Clearing Member and the Receiving FCM 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~~ member circular.

### ~~2B.18.5~~ [Reserved]

**~~2B.18.6 [Reserved]~~****~~2.2.19 2B.19~~ *Proprietary Account Position Transfers***

The FCM ForexClear Clearing System provides functionality for the transfer of positions from an FCM Clearing Member's Proprietary Account, ~~either in respect of FCM ForexClear Contracts held on an FCM Clearing Member's own behalf or in respect of FCM ForexClear Contracts held on behalf of an Affiliate. In either case, any.~~ Any such transfer may only occur if the Receiving ~~FCM~~ Clearing Member is an ~~A~~ affiliate of the Carrying ~~FCM~~ Clearing Member. ~~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~~ 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 ~~C~~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 Margincover has been provided by both parties to the transfer: ~~Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is an Affiliate of the FCM Clearing Member receiving the transferred position.~~

**~~2.2.20 2B.20~~ *FCM Clearing Member's Client Fund Transfer***

The FCM ForexClear Clearing System provides functionality for the transfer of an individual FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to relocate 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) A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per ~~Appendix 2B.B. Schedule 2.2B.~~
- ~~(b)~~ (b) The FCM ForexClear Contract is registered by the Clearing House, and sufficient Margin has been furnished to cover the FCM ForexClear Contract.
- ~~(c)~~ (c) Transfers are only handled on an individual trade by trade basis, and 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 17:00 London time will be managed and included in the 19:30 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 ~~2B.21~~ *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](#).<sup>3</sup>[Banking Reports](#).<sup>4</sup>

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.

~~2B.21.1~~ 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.

#### (a) *Margin Liability Reports*

Reports detailing Liabilities are provided to FX FCMs following every scheduled Margin Run in accordance with Section ~~2B.17~~ 2.17 and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 hours, London time. If the EOD Margin Run has not completed by 22:00 hours, London time, on a particular business day, the report generated at EOD will reflect that not all the Liabilities of all FXCCMs as covered by Collateral by 22:00 hours, London time. A report will also be provided detailing an FX FCM’s Margin utilization level. If an FX FCM’s Liabilities exceed its total available Margin, ForexClear will alert the FX FCM.

<sup>3</sup> [http://www.lchclearnet.com/Images/banking\\_report\\_tcm6-48011.pdf](http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf)

<sup>4</sup> [http://www.lchclearnet.com/Images/banking\\_report\\_tcm6-48011.pdf](http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf)



(b) ~~2B.21.2~~ *Market Data Reports*

Reports detailing Market Data are provided to FX FCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of FCM ForexClear Contracts and reports of Market Data shifts for each historic scenario used in IM calculations.

(c) ~~2B.21.3~~ *Trade Reports*

Reports are **provided that** enable FX FCMs to monitor their firms<sup>21</sup> trading events and positions in respect of ForexClear. Reports on open FCM ForexClear Contracts and on cancelled FCM ForexClear Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

(d) ~~2B.21.4~~ *Trade Fixing and Settlement Reports*

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the “**NDF Fixings**” report), FCM ForexClear Contracts that have been settled during that current business day (the “**Settlements Today**” report) and FCM ForexClear Contracts that will settle the next business day (the “**NDF<sup>21</sup>s Fixed with Settlement Tomorrow**” report).

(e) ~~2B.21.5~~ *Fees Reports*

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

(f) ~~2B.21.6~~ *Banking Reports*

~~Follow this link for a full list of Banking reports.~~<sup>5</sup>

~~2B.21.7~~ ~~Follow this link for a full list of Banking reports.~~<sup>6</sup>

(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 ~~2B.17~~2.2.17).

<sup>5</sup> ~~[http://www.lchclearnet.com/membership/ltd/training\\_and\\_education/reference\\_guide\\_request\\_form.asp](http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp)~~

<sup>6</sup> ~~[http://www.lchclearnet.com/membership/ltd/training\\_and\\_education/reference\\_guide\\_request\\_form.asp](http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp)~~

## 2.2.22 ~~2B.22~~ *Treasury Operations & Collateral Management*

### (a) ~~2B.22.1~~ *Cover Distribution*

The Clearing House nets each FX FCM's Liabilities (i.e., margins and multipliers) and then the total of ~~cash Collateral~~ 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 ~~2B.22.3~~ 2.2.22(c) 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) ~~2B.22.2~~ *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 ~~2B.20.1~~ 2.2.21) 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) ~~2B.22.3~~ *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 ~~London~~ 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 Banks](#)<sup>7</sup>

### ~~2B.22.4~~ List of PPS Banks<sup>8</sup>

<sup>7</sup> [http://www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

<sup>8</sup> [http://www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

(d) *Acceptable Forms of Collateral Cover*

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

~~[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral](#)~~<sup>9</sup>

~~[2B.21.5](#)~~ ~~[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral](#)~~<sup>10</sup>

(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 charges](#)~~<sup>11</sup>

~~[2B.23](#)~~ ~~[Overview of interest and charges](#)~~<sup>12</sup>

2.2.23 *Default Management*

(a) ~~[2B.23.1](#)~~ *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) ~~(a)~~ —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) ~~(b)~~ —one or more individual Auction Portfolios which are more risk neutral.

<sup>9</sup> ~~[http://www.lchclearnet.com/Images/Section4\\_tcm6-43748.pdf](http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf)~~

<sup>10</sup> ~~[http://www.lchclearnet.com/Images/Section4\\_tcm6-43748.pdf](http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf)~~

<sup>11</sup> ~~[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)~~

<sup>12</sup> ~~[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)~~

(b) ~~2B.23.2~~ *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:

- (i) ~~(a)~~ cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (ii) ~~(b)~~ cause the Clearing House or its membership any reputational harm;
- (iii) ~~(c)~~ cause legal action or proceedings to be taken against the Clearing House; or
- (iv) ~~(d)~~ endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

(c) ~~2B.23.3~~ *Affiliate Bidding*

ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member or an affiliated FCM Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member or FCM Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member or FCM Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing House's Membership Department (membership@lchclearnet.com; +44 (0)207 426 7949).

(d) ~~2B.23.4~~ — Outsourcing

Pursuant to Section 41 (*Membership*) of these FCM Procedures, an FX FCM may appoint a third party to fulfill one or both of the Clearing House's FCM clearing membership criteria to: (i) participate in a ForexClear "fire drill" run by the Clearing House; and (ii) participate in the ForexClear DMP operated by the Clearing House. Where an FX FCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- (i) a ForexClear Clearing Member
- (ii) an FX FCM;
- (iii) an FCM Client; or
- (iv) any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FX FCM wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (A) (a) — details of the third party entity that the FX FCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (B) (b) — evidence of the existence of a legally binding agreement between the FX FCM Clearing Member and the third party; and
- (C) (c) — such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine, in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FX FCM successfully appoints an LCH Approved Outsourcing Agent, that FX FCM may be subject to increased Margin Requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FX FCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FX FCM (i.e., required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FX FCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FX FCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FX FCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FX FCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FX FCM.

(e) ~~2B.23.5~~ *ForexClear DMG*

The necessary involvement of FX FCMs and the ForexClear DMG (which, as defined in the Default Rules, refers to the advisory Default Management Group established by the Clearing House pursuant to the terms of the ForexClear DMP Annex to the Default Rules) in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, ~~Appendix 2B.D~~ Schedule 2.2D establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FX FCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FX FCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with ~~Appendix 2B.D~~ Schedule 2.2D covering confidentiality, non-disclosure and other terms.

(f) ~~2B.23.6~~ *Procedures for Liquidation of FCM ForexClear Contracts of FCM Clients*

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM ForexClear Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the ForexClear DMP Annex. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM ForexClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM ForexClear Contracts to be liquidated into an account at the Clearing House established for purposes of liquidating the FCM ForexClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House shall establish a separate Hedged Account for each currency of FCM ForexClear Contracts that are non-transferable and will be subject to liquidation and will include in ~~each~~ such Hedged Account the FCM ForexClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM ForexClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM ForexClear Contracts will be transferred into a Hedged Account established for liquidating FCM ForexClear Contracts.

An FCM Client whose FCM ForexClear Contracts are transferred into a Hedged Account is referred to as a "**Non-Porting Client**". The Clearing House shall hold the relevant Collateral in respect of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in ~~the relevant~~ ~~its applicable~~ FCM Omnibus ForexClear Client Account with LCH of the ~~defaulter~~ until the liquidation of the entire Hedged Account and all FCM ForexClear Contracts and other positions therein, as described below. At the time that the FCM ForexClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM ForexClear Contracts shall be



discharged as of the time such FCM ForexClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client Sub-Account of such FCM Client.

(i) *Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM ForexClear Contracts and hedges for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

(ii) *Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

(A) ~~(i)~~—At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s Required Margin with respect to its FCM ForexClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).

(B) ~~(ii)~~—On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.

(C) ~~(iii)~~—On a day when one or more New Non-Porting Clients are included in the Hedged Account, the



Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Required Margin associated with the Hedged Account with respect to all positions (including all FCM ForexClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the FCM ForexClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Required Margin applicable to the transferred FCM ForexClear Contracts of the New Non-Porting Clients.

~~(D)~~ ~~(iv)~~—On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph ~~(ivD)~~ until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph ~~(ivB)~~ above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting

Clients (in accordance with the definition of New Non-Porting Clients in paragraph (iiB) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iiC) above and this paragraph (ivD).

~~(E)~~ ~~(v)~~—Upon the liquidation of the Hedged Account and all FCM ForexClear Contracts and other positions therein, 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 ~~(vE)~~, (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 ~~(vE)~~ 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.

#### ~~2.2.24~~ ~~2B.24~~ ~~Payment of Stamp Tax~~

#### ~~2.2.25~~ 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.

~~Section 696, Corporation Tax Act 2009~~**B.25** ~~Section 696, Corporation Tax Act 2009~~

2.2.26

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 endeavoursefforts 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.

**APPENDIX 2B.A****FCM CLIENT – PARTIAL TRANSFER FORM****2.2.27 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.

**SCHEDULE 2.2A  
FCM CLIENT – PARTIAL TRANSFER FORM**



**FCM CLIENT - PARTIAL TRANSFER FORM**

**V.1.0: November 2011**

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:**            LCH.Clearnet Limited

**From:**        Receiving Clearing Member

**Date:**

We, ..... [insert name of Receiving Clearing Member] (the “Receiving Clearing Member”) have received a request from..... [insert name of transferring FCM Client] (the “FCM Client”) to transfer part of its portfolio of FCM ForexClear Contracts from its Carrying Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 13 (*Transfer*) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM ForexClear Contracts, using the Schedule below:

**\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM ForexClear Contracts.**

**\*\*Please append a list of additional FCM ForexClear Contracts to this form, if required.**

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>



**FCM CLIENT - PARTIAL TRANSFER FORM**

**V.1.0: November 2011**

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Receiving FCM Clearing Member

**Date:**

We, ..... [insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer part of its portfolio of FCM ForexClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 8(c) and the FCM Procedures.

Please insert the LCH trade IDs of the transferring FCM ForexClear Contracts, using the Schedule below:

\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring FCM ForexClear Contracts.

\*\*Please append a list of additional FCM ForexClear Contracts to this form, if required.

LCH Trade ID	ATS Trade ID


**~~APPENDIX~~ SCHEDULE 2.2B-B**

**FCM CLIENT – FULL TRANSFER FORM****FCM CLIENT - FULL TRANSFER FORM****V.1.0: November 2011**

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

**To:** LCH.Clearnet Limited

**From:** Receiving Clearing Member

**Date:**

We, .....[insert name of Receiving Clearing Member] (the "Receiving Clearing Member") have received a request from..... [insert name of transferring FCM Client] (the "FCM Client") to transfer its entire portfolio of FCM ForexClear Contracts from its Carrying Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 13 (*Transfer*) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying Clearing Member:

OR

ii. the LCH trade IDs of the transferring FCM ForexClear Contracts (using the Schedule on the next page).

In order to enable LCH.Clearnet to identify the relevant FCM ForexClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Accounts Assets in accordance with FCM Regulation 13 (*Transfer*).

- The FCM Client wishes to transfer Collateral  
 The FCM Client does NOT wish to transfer Collateral

**Signatories for and on behalf of the Receiving Clearing Member:**

We acknowledge and confirm the above and are authorized to sign for and on behalf of the Receiving Clearing Member

1. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      Date

2. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      Date





**FCM CLIENT - FULL TRANSFER FORM**

V.1.0: November 2011

*Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Receiving FCM Clearing Member

**Date:**

We, .....[insert name of Receiving FCM Clearing Member] (the "Receiving FCM Clearing Member") have received a request from ..... [insert name of transferring FCM Client] (the "FCM Client") to transfer its entire portfolio of FCM ForexClear Contracts from its Carrying FCM Clearing Member to us. We hereby request the transfer of the FCM ForexClear Contracts as identified below pursuant to FCM Regulation 8(b) and the FCM Procedures.

Please insert EITHER:

i. Name of Carrying FCM Clearing Member:

.....

OR

ii. the LCH trade IDs of the transferring FCM ForexClear Contracts (using the Schedule on the next page).

in order to enable **the Clearing House** to identify the relevant FCM ForexClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the FCM Client wishes to transfer the associated Collateral in accordance with FCM Regulations 8(d).

- The FCM Client wishes to transfer Collateral
- The FCM Client does NOT wish to transfer Collateral

**Signatories for and on behalf of the ~~Receiving~~transferring FCM ~~Clearing Member~~Client:**

**To: Receiving Clearing Member**

We acknowledge and confirm ~~the above and are authorized to sign for and on behalf of the Receiving FCM Clearing Member;~~

1.

_____	_____	_____	_____
(Authorized Signatory)	Name	Position	date

2.

_____	_____	_____	_____
(Authorized Signatory)	Name	Position	date

**Signatories for and on behalf of the transferring FCM Client:****To: Receiving FCM Clearing Member****We acknowledge and confirm:**

- ~~i.~~ i. \_\_\_\_\_ the request to transfer as detailed herein;
- ~~ii.~~ ii. \_\_\_\_\_ that we will be unable to submit further FCM ForexClear Contracts through our Carrying ~~FCM~~ Clearing Member from the date that this form is received by the Clearing House until the transfer has been effected;
- ~~iii.~~ iii. \_\_\_\_\_ that the Clearing House will contact our Carrying ~~FCM~~ Clearing Member in relation to this transfer and will disclose our identity to such Carrying ~~FCM~~ Clearing Member;
- ~~iv.~~ iv. \_\_\_\_\_ that, in accordance with the FCM Rulebook, the Clearing House is entitled to rely conclusively on the instructions and information received from the Receiving ~~FCM~~ Clearing Member and the Carrying ~~FCM~~ Clearing Member and shall have no liability or responsibility therefor;
- v. \_\_\_\_\_ that the transfer detailed above may require that additional Margin be furnished to the Clearing House (and/or by us to the Receiving ~~FCM~~ Clearing Member listed above) even where Collateral is transferred, and that the Clearing House is not required to affect the transfer if it has not received adequate Margin in respect of the transfer or if any of the other conditions set forth in the FCM Rulebook applicable to the transfer are unsatisfied;
- vi. \_\_\_\_\_ that, where we have requested the transfer of Collateral, (x) we should contact our Carrying ~~FCM~~ Clearing Member to ensure that they contact the Clearing House to identify the correct Collateral to be transferred, and (y) while the Clearing House will attempt to transfer the specified Collateral to the Receiving ~~FCM~~ Clearing Member, LCH.Clearnet is permitted to transfer alternative Collateral as it deems appropriate in accordance with the FCM Rulebook;
- ~~vii.~~ vii. \_\_\_\_\_ that the FCM Client is not insolvent; and has no outstanding obligations that are due and payable to the Carrying ~~FCM~~ Clearing Member and/or its ~~A~~ affiliates in respect of FCM ForexClear Contracts; and
- ~~viii.~~ viii. \_\_\_\_\_ that we are authorized to make these acknowledgements and confirmations and do so on behalf of the FCM Client listed above in accordance with the FCM Regulations.

For and on behalf of the FCM Client:

.....

Authorized signatory

.....

Authorized signatory

.....

Date

.....

Date

---

All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.

Insert email: ~~ForexClear.BusOps@lchclearnet.com~~ [ForexClear.BusOps@lchclearnet.com](mailto:ForexClear.BusOps@lchclearnet.com)

Insert telephone number: [+44 (0) 207 426 3729]

ForexClear Business Operations  
Aldgate House  
33 Aldgate High Street

London EC3N 1EA  
UNITED KINGDOM

**Schedule of transferring FCM ForexClear Contracts:**

~~\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM ForexClear Contracts in order that the Clearing House can determine the identity of the relevant Carrying FCM Clearing Member.~~

<b>LCH Trade ID</b>	<b>ATS Trade ID</b>

**Schedule of transferring FCM ForexClear Contracts:**

**\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of one or more transferring FCM ForexClear Contracts in order that the Clearing House can determine the identity of the relevant Carrying Clearing Member.**

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>

**APPENDIX 2B.G**

**~~FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSSES  
FORM~~**

**SCHEDULE 2.2C**  
**FCM CLIENT TRANSFER – CARRY FCM CLEARING MEMBER REPOSES**  
**FORM**



**FCM CLIENT TRANSFER -**  
**CARRYING FCM**  
**CLEARING MEMBER RESPONSE**  
**FORM**

V.1.0: November 2011

Terms used in this form are as defined in LCH.Clearnet Limited's FCM Rulebook unless defined herein

To: LCH.Clearnet Limited

From: Carrying FCM-Clearing Member

Date:

We, \_\_\_\_\_, \_\_\_\_\_  
[insert name of Carrying FCM-Clearing Member] (the "Carrying FCM-Clearing Member") have received a request from LCH.Clearnet Limited in relation to \_\_\_\_\_'s [insert name of transferring FCM Client] (the "FCM Client") request to transfer [its entire/part of its\*] portfolio of FCM ForexClear Contracts held by us. We are writing to inform you that:

\* Delete as appropriate

(Please tick if applicable) The transferring FCM Client has become insolvent and its FCM ForexClear Contracts should therefore not be transferred in accordance with FCM Regulation ~~8(b)(i) or FCM Regulation 8(e)(i), as applicable.~~ 13 (Transfer).

(Please tick if applicable) The transferring FCM Client has outstanding obligations that are due and payable to us and/or our ~~A~~ affiliates and therefore its FCM ForexClear Contracts should not be transferred in accordance with FCM Regulation ~~8(b)(v) or FCM Regulation 8(e)(v), as applicable.~~ 13 (Transfer).

(Please tick if applicable) The transferring FCM Client has asked that Collateral be transferred and the relevant Collateral is described in the schedule below.

**Schedule of Collateral:**

~~The Collateral of the FCM Client consists solely of cash in the following~~

amount and currency:

<b>CASH AMOUNT &amp; CURRENCY</b>
-----------------------------------

~~The Collateral of the FCM Client consists of the following cash and non-cash Collateral:~~

<b>CASH AMOUNT &amp; CURRENCY</b>
-----------------------------------

ISIN	Notional Value

~~All forms should be returned to LCH.Clearent Limited for the attention of Business Operations.~~

~~Email: [ForexClear.BusOps@lchclearnet.com](mailto:ForexClear.BusOps@lchclearnet.com)~~

~~Telephone: [+44 (0) 207 426 3729]~~

~~Fax: [TBC]~~

ForexClear Business Operations  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N 1EA  
 UNITED KINGDOM

~~Signatories for and on behalf of the Carrying FCM Clearing Member:~~

~~We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying FCM Clearing Member:~~

1. \_\_\_\_\_  
 (Authorized Signatory)                      Name                      Position                      date

2.

<u>(Authorized Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>date</u>
<input type="checkbox"/> <u>The Collateral of the FCM Client consists solely of cash in the following amount and currency:</u>			
<u>CASH AMOUNT &amp; CURRENCY</u>			
<input type="checkbox"/> <u>The Collateral of the FCM Client consists of the following cash and non-cash Collateral:</u>			
<u>CASH AMOUNT &amp; CURRENCY</u>			



<u>ISIN</u>	<u>Notional Value</u>

All forms should be returned to LCH.Clearnet Limited for the attention of Business Operations.

Email: ForexClear.BusOps@lchclearnet.com

Telephone: [+44 (0) 207 426 3729]

Fax: [TBC]

ForexClear Business Operations  
Aldgate House  
33 Aldgate High Street  
London EC3N 1EA  
UNITED KINGDOM

**Signatories for and on behalf of the Carrying Clearing Member:**

We acknowledge and confirm the above and that we are authorized to sign for and on behalf of the Carrying Clearing Member:

1. \_\_\_\_\_  
(Authorized Signatory)                          Name                          Position                          Date

2. \_\_\_\_\_  
(Authorized Signatory)                          Name                          Position                          Date

**APPENDIX 2B.D**

**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN  
THE FOREXCLEAR DEFAULT MANAGEMENT GROUP**

**1—SCHEDULE 2.2D**  
**CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN**  
**THE FOREXCLEAR DEFAULT MANAGEMENT GROUP**

**1. Definitions**

- 1.1** ~~1.1~~—“**Confidential Material**” means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FXCCM, its associated companies and advisers, or to which the FXCCM, its associated companies and advisers obtains or otherwise has access as a result of participation in the ForexClear DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FXCCM).
- 1.2** ~~1.2~~—“**FXDMG Member**” means an individual appointed by a Nominating FXCCM.
- 1.3** ~~1.3~~—“**Nominating FXCCM**” means a ForexClear Member who, through their obligations under the ForexClear DMP Annex, makes available a representative to serve on the ForexClear DMG.
- 1.4** ~~1.4~~—“**Permitted Purpose**” means proper fulfillment by the FXCCM of its duties under the ForexClear DMP Annex and includes, after the completion of the Auction, the use by the FXCCM its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own on-going portfolio management and to enable it to comply with on-going legal or regulatory requirements.
- 1.5** ~~1.5~~—References denoting the masculine (including “his” and “he”) shall be construed as the feminine if the ForexClear DMG Member is female.
- 1.6** ~~1.6~~—All other terms have the meaning ascribed to them in the Default Rules (including the ForexClear DMP Annex).

**Confidentiality and non-disclosure: general obligations of the FXCCM**

**2. Confidentiality**

- 2.1** ~~2.1~~—The FXCCM agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to paragraph 2.3, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FXCCM shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:
- (a)** ~~a)~~—it comes into the public domain other than through a breach by the FXCCM of this Agreement; or
- (b)** ~~b)~~—the FXCCM is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in

connection with any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FXCCM.

~~2.2~~ ~~2.2~~—The FXCCM further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FXCCM expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this ~~Appendix 2B.D~~ Schedule 2.2D might result in the gaining of an unfair commercial advantage by the FXCCM over other members of the Clearing House ForexClear Service.

~~2.3~~ ~~2.3~~—Subject to paragraph 2.5, the FXCCM may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a “strictly need to know” basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

~~2.4~~ ~~2.4~~—The FXCCM agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

~~2.5~~ ~~2.5~~—This paragraph and the duties hereunder shall survive the termination of this ~~Appendix 2B.D~~ Schedule 2.2D and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FXCCM.

### ~~3.~~ ~~3~~—**Secrecy**

~~3.1~~ ~~3.1~~—Except in accordance with the terms of this ~~Appendix 2B.D~~ Schedule 2.2D, the FXCCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

~~(a)~~ ~~a)~~—Confidential Material;

~~(b)~~ ~~b)~~—the fact that it has received any Confidential Material;

~~(c)~~ ~~e)~~—the existence of any discussions or negotiations between the parties in this matter; or

~~(d)~~ ~~d)~~—details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FXCCM being relieved of such an obligation because of the circumstances covered in paragraphs ~~2.1a1(a)~~ and ~~2.1b)-1(b)~~.

~~3.2~~ ~~3.2~~—The Clearing House undertakes to ensure that the FXCCM is fully apprised of information on the ForexClear DMP that it makes public and which is accordingly of relevance to the FXCCM's obligations.

#### ~~4.~~ ~~4~~ **Property**

~~4.1~~ ~~4.1~~—The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FXCCM or any FXCCM, and the property in the media on which it is conveyed to the receiving party shall not pass to the FXCCM or any FXCCM unless expressly so agreed by the Clearing House in writing.

#### ~~5.~~ ~~5~~ **Return of Confidential Material**

~~5.1~~ ~~5.1~~—Upon request by the Clearing House, and in any event upon fulfillment of the Permitted Purpose, the FXCCM shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so **provided that** the FXCCM is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

#### ~~6.~~ ~~6~~ **No Representations or Warranties; No Conflict of Interest**

~~6.1~~ ~~6.1~~—Subject to references made in paragraph 7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

~~6.2~~ ~~6.2~~—The Clearing House acknowledges and agrees that, subject to compliance with the terms of this ~~Appendix 2B.D~~ Schedule 2.2D by the FXCCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this ~~Appendix 2B.D, the FXCCM's~~ Schedule 2.2D, the FXCCM's participation in the ForexClear DMP shall not prevent the FXCCM from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FXCCM may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FXCCM has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FXCCM or any of its directors, employees or other representatives.

#### ~~7.~~ ~~7~~ **Liability**

~~7.1~~ ~~7.1~~—Subject to Regulation ~~24,31~~ (Exclusion of Liability), the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FXCCM or any of its employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

~~7.2~~ ~~7.2~~—The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or willful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the ForexClear DMG, and for the accuracy of the information (confidential

material as defined in this ~~Appendix 2B.D)~~Schedule 2.2D) that it distributes to the FXCCM in connection with the ForexClear Default Management Process.

~~7.3~~ **7.3**—Under no circumstances shall the Clearing House have any liability to the FXCCM for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

## ~~8.~~ **8**—Remedies

~~8.1~~ **8.1**—Without affecting any other rights or remedies that the Clearing House may have, the FXCCM acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this ~~Appendix 2B.D)~~Schedule 2.2D and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

## **Confidentiality and Non-Disclosure and General Terms of Participation in ForexClear Default Management Group**

### ~~9.~~ **9**—Conflict of interest

~~9.1~~ **9.1**—The FXCCM shall procure that, in the event that a ForexClear DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the FXDMG, he shall promptly report his view to the Chairman of the ForexClear DMG, who shall act accordingly, taking the advice of other ForexClear DMG Members as appropriate.

### ~~10.~~ **10**—Confidentiality

~~10.1~~ **10.1**—Subject to paragraph 10.3 below, the FXCCM shall procure that the ForexClear DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a ForexClear DMG Member (including, for the avoidance of doubt, the FXCCM who recommended his appointment to the ForexClear DMG (the Nominating FXCCM) or his employer (if different) or any other employee, adviser, officer or fellow worker of that FXCCM or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorized delegate, providing always that the ForexClear DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs ~~2.1a1(a)~~ and ~~2.1b)-1(b)~~.

~~10.2~~ **10.2**—Subject to paragraph 10.3 below, the FXCCM shall procure that the ForexClear DMG Member shall not use any Confidential Material for any purpose other than the proper fulfillment of his duties as a ForexClear DMG Member.

~~10.3~~ **10.3**—The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any ForexClear Clearing Member, the ForexClear DMG Member may be required by the Nominating FXCCM and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the

ForexClear DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may prescribed by the Clearing House and/or the ForexClear DMG with regard to the management of that default.

~~10.4~~ ~~10.4~~—Upon request by the Clearing House, and in any event upon termination of the membership of the ForexClear DMG Member of the ForexClear DMG, the FXCCM shall procure that the ForexClear DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, **provided that** the ForexClear DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

## ~~11.~~ ~~11~~—Warranty and representation

~~11.1~~ ~~11.1~~—The FXCCM represents and warrants that it will procure that:

~~(a)~~ ~~a~~—the Nominating FXCCM and the ForexClear DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

~~(b)~~ ~~b~~—nothing in this ~~Appendix 2B.D~~~~Schedule 2.2D~~ will cause the ForexClear DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FXCCM or to his employer, if different, or any other contract counterparty of the ForexClear DMG Member.

## ~~12.~~ ~~12~~—Confidentiality and Non-Disclosure: ~~General Obligations of the Clearing House~~

~~12.1~~ ~~12.1~~—The Clearing House will treat all Confidential Material in the terms envisaged in this ~~Appendix 2B.D~~~~Schedule 2.2D~~, confining use to the ForexClear Default Management Process, restricting its availability on a “strictly need to know basis”, and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

## ~~13.~~ ~~13~~—Third Party Rights

~~13.1~~ ~~13.1~~—A person who is not a party to this ~~Appendix 2B.D~~~~Schedule 2.2D~~ shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms

~~2C~~—

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## 2.3 **ENCLEAR**

### 2.3.1 ~~2C.1~~ **General Matters**

#### (a) ~~2C.1.1~~ **Introduction**

This Section ~~2C~~2.3 of the FCM Procedures governs the FCM EnClear Clearing Services, form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook. FCM Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the FCM Rulebook (including these FCM Procedures) is subject to change from time to time.

FCM EnClear Clearing Services are provided to FCM Clearing Members authorized by the Clearing House to participate in it (“**FCM EnClear Clearing Members**” or “**ECFCMs**”) in respect of “**FCM EnClear Transactions**” executed by ECFCMs. Such transactions must comply with the Clearing House’s requirements (see the FCM Regulations).

These FCM Procedures apply to all FCM EnClear Contracts on ECS in the Freight Division of the EnClear Service.

In the event of any conflict between any provision of these FCM Procedures and any requirement, rule or provision of any other documentation, these FCM Procedures shall prevail.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

#### (b) ~~2C.1.2~~ **Definitions**

The following terms shall have the meanings below for the purposes of this Section ~~2C~~2.3 of the FCM Procedures:

<b>ECFCM</b>	An FCM EnClear Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in FCM EnClear Clearing Services.
<b>ECS</b>	The Extensible Clearing System, made available by the Clearing House for position management in the Freight Division of the FCM EnClear Clearing Services.
<b>ClearWay</b>	A user interface made available by the Clearing House for the purpose of entering and confirming FCM EnClear Transactions

for the EnClear market and for submission of FCM EnClear Transactions into ECS for clearing.

**Approved Broker** A broker that has entered into an FCM EnClear Clearing Services Approved Broker Agreement

**OTP** OTC EnClear Trading Platform

~~(c) 2C.1.3~~ *Agreements*

~~(i) 2C.1.3.1~~ Clearing Approval

Only FCM EnClear Clearing Members may clear FCM EnClear Contracts.

Details of how to obtain FCM Clearing Member status at the Clearing House or how to become approved by the Clearing House as an ECFCM of the Freight Division can be obtained from the Clearing House's Membership Department at +44 (0)20 7426 7627/7521/7968.

FCM Clearing Members seeking approval from the Clearing House to clear FCM EnClear Transactions in the Freight Division must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the Membership department.

~~(d) 2C.1.4~~ *Customers*

Parties who are not ECFCMs or ~~Non~~-ECFCM Clearing Members (“**Customers**”) may not directly clear trades through the FCM EnClear Clearing Services. However, any such Customer may enter into an agreement with an ECFCM who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an FCM EnClear Transaction – that is, it meets all the relevant criteria published by the Clearing House from time to time – may be submitted for registration to the Clearing House by the ECFCM in accordance with the FCM Regulations and these FCM Procedures. For the Freight Division, a clearing arrangement is entered into if particulars relating to that trade are “accepted” by two relevant ECFCMs (or an ECFCM and a ~~Non~~-ECFCM Clearing Member, as the case may be) who each agree to become counterparty to the appropriate FCM EnClear Contract (or FCM EnClear Contract a Non-FCM EnClear Contract) with the Clearing House, in accordance with the FCM Regulations and these FCM Procedures.

However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any FCM EnClear Contract.

(e) ~~2C.1.5~~ *Approved Brokers*

Only brokers who are expressly authorized by the Clearing House (“**Approved Broker**”) may access ClearWay and submit FCM EnClear Transactions for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:

- (i) Freight (FFAs, Options and Containers)
- (ii) Iron Ore (Swaps and Options)
- (iii) Steel
- (iv) Coal (Swaps and Options)
- (v) Fertilizer

The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight Agreement to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.

Details of how to obtain Approved Broker status at the Clearing House of the Freight Division can be obtained from the Clearing House’s Membership Department at +44 (0)20 7426 7627//7521/7968.

Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.

**PLEASE NOTE:** If the two relevant ECFCMs accept an FCM EnClear Transaction which has been brokered, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the names of those ECFCMs, whether or not those ECFCMs have appointed or authorized that broker to submit such a trade.

In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there-from, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. An ECFCM shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.

The Clearing House shall not be liable for any errors or omissions on the part of an Approved Broker who inputs a trade via ClearWay and which is registered by the Clearing House.

Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the FCM EnClear Clearing Services.

The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorized by the Clearing House to submit trades under the relevant product types. The authorization of such brokers as Approved Brokers is purely to assist ECFCMs to submit trades to the Clearing House for registration in the names of those ECFCMs. No check is made regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorization or at all.

(f) ~~2C.1.6~~ OTPs

Application for approved OTP status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of OTPs currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional OTPs, it will notify FCM Clearing Members via member circular.

OTPs may submit FCM EnClear Transactions for registration via the ClearWay ticket entry system.

LCH.Clearnet has signed agreements with the following OTPs:

- (i) **Baltic Exchange Derivatives Trading Limited (“BEDT”)**. BEDT submit trades for clearing via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the ECFCMs (STP facility) and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.
- (ii) **Cleartrade (“CT”)**. CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the ECFCMs in the CT Credit Filter, meaning ECFCMs will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot

Limit Credit Filter and be automatically accepted by the ECFCMs and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions for ECFCMs to accept manually.

**PLEASE NOTE:** If an ECFCM accepts an FCM EnClear Transaction which has been matched on BEDT, within the timeframe laid down by these FCM Procedures, it will be registered by the Clearing House in the name of that ECFCM, whether or not it is a participant of BEDT.

In the event that a trade is submitted to the Clearing House for registration by an OTP and such trade is “accepted” for registration by that ECFCM, that ECFCM shall be bound by an FCM EnClear Contract arising there-from, notwithstanding that any trade particulars submitted by that OTP in respect of such trade are erroneous or incorrect.

The Clearing House shall not be liable for any errors or omissions on the part of an OTP who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.

~~(g) 2C.1.7~~ *Contract Terms*

The FCM EnClear Contract Terms for contracts cleared in the Freight Division are set out in Section 3.4 of Part A of Schedule ~~€3~~ to the FCM ~~Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual.

The Eligibility Criteria for each FCM EnClear Contract are set out in Part B of Schedule ~~€3~~ to the FCM ~~Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual.

~~(h) 2C.1.8~~ *Registration*

~~(i) 2C.1.8.1~~ *General*

FCM EnClear Transactions in the Freight Division must be submitted to the Clearing House either via ClearWay or by an OTP for processing in the ECS System.

The Clearing House may require an ECFCM in whose name an FCM EnClear Contract is to be registered to provide it with sufficient Margin as a condition of registration.

~~(ii) 2C.1.8.2~~ *EnClear Market User Systems*

~~(A) 2C.1.8.2.1~~ *ClearWay*

ClearWay is an application used by ECFCMs, Approved Brokers and OTPs to enter FCM EnClear

Transactions, which once confirmed by both ECFCM's, will be registered for clearing in ECS.

ClearWay contains a Lot Limit Credit Filter which enables ECFCMs to set limits for their position accounts. If a ticket is entered which falls within an ECFCM's set parameters, its side of the trade will be automatically confirmed.

Transactions which breach the parameters set, or where no credit limit has been set by the ECFCMs, will remain in ClearWay as pending transactions, for ECFCMs to accept manually.

In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or ECFCM and such trade is accepted for registration by the ECFCM, the ECFCM shall be bound by the terms set in FCM EnClear Contract.

~~(B) 2C.1.8.2.2~~ ECS

ECS is the clearing system which registers trades within the FCM EnClear Clearing Services: Freight Division. The following functionality is available to ECFCMs:

- ~~(1)~~ position keeping
- ~~(2)~~ position adjustments
- ~~(3)~~ position transfers (LCH.Clearnet will perform the transfers on the request of ECFCMs)
- ~~(4)~~ manual exercise/abandonment of Coal Options

~~(iii) 2C.1.8.3~~ Clearing House System Requirements

ECFCMs and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system and/or ClearWay in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

~~(iv) 2C.1.9~~ General 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 (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 EnClear Transactions and FCM EnClear 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 ECFCM 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.

(i) ~~2C.1.9~~ *Submission and Acceptance of FCM EnClear Transactions for Registration in the Freight Division*

For registration of FCM EnClear Transactions, ECFCMs must comply with all the requirements of the Clearing House as set out in the FCM Rulebook and other relevant documentation issued by the Clearing House in this regard.

An FCM EnClear Transaction submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered or rejected by the Clearing House immediately upon receipt by ECS, after the acceptance by both ECFCMs, whether the acceptance is explicit or is given via the parameters of a credit filter.

(j) ~~2C.1.10~~ *Novation*

Once a trade has been registered in ECS, novation replaces each FCM EnClear Transaction submitted through the FCM EnClear Clearing Services with either:

- (i) two separate FCM EnClear Contracts: one between the selling ECFCM and the Clearing House and the other between the buying ECFCM and the Clearing House; or
- (ii) (where only one Clearing Member is an ECFCM) one FCM EnClear Contract between the Clearing House and the ECFCM, and the other between the Clearing House and the non-ECFCM Clearing Member, with the latter being governed by the General Regulations.

(k) ~~2C.1.11~~ *Notification of Rejection*

If the Clearing House does not register a trade presented for registration it will notify the relevant ECFCMs concerned within a reasonable time, indicating the reasons for rejection.

(l) ~~2C.1.12~~ *Notification*

For the Freight Division, all FCM EnClear Contracts arising from registered FCM EnClear Transactions are listed on ECS and in the



daily Trade report available through the Clearing House<sup>2</sup>'s Member reporting extranet site.

~~(m) 2C.1.13~~ — *Position Keeping Accounts*

~~(i) 2C.1.13.1~~ — *Types of Accounts for the Freight Division*

Positions with regard to LCH.Clearnet Freight Contracts are recorded within the ECS system in position-keeping accounts. ~~For the avoidance of doubt, these position-keeping accounts in ECS are not “Member Accounts” as described in Regulation 5 of the General Regulations.~~

~~ECFCMs may open and utilize position accounts at their discretion. For example, an ECFCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.~~

An ECFCM's position account will be assigned a free format alphanumeric code, as prescribed by the ECFCM.

There is no restriction on the number of individual position accounts an ECFCM may open. ~~The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the ECFCM.~~

~~(ii) 2C.1.13.2~~ — *Basis of Position Keeping for the Freight Division*

Position Accounts can be held net or gross, as required by the ECFCM. ECFCMs must notify the Clearing House of their requirements in this regard.

~~(iii) 2C.1.13.3~~ — *Position Settlement (Gross Accounts) for Freight Division*

Where a position account is held gross, the ECFCM may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

~~(iv) 2C.1.13.4~~ — *Financial Accounts*

Position accounts have financial accounts associated with them. These are, *inter alia*, used to record cash balances, securities/documentary credits and non-realized margin.

Where appropriate, ECFCMs<sup>2</sup> financial accounts are identified by a single character code: “C” for ~~segregated-client business~~FCM Client Business used for Initial Margin Flows and “L” for ~~segregated-client business~~FCM Client Business used for Variation Margin Flows; and “H” for house business.



The C account is a Cleared Swaps Customer Account as defined in Part-22 of the CFTC Regulations.

Position accounts will map to either an ECFCM's "C" account or "H" account, as specified by that Member.

(v) ~~2C.1.13.5~~ Other Financial Accounts

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened as follows:

	<u>Code</u>
Additional Margin accounts (House), used for holding additional cash in relation to <del>Proprietary Business</del> <u>house business</u>	B
Additional Margin account (Client), used for holding additional cash in relation to FCM Client Business	E
Unallocated Excess account (Client), used for holding excess cash and <del>non-cash</del> <u>non-cash</u> Collateral in relation to FCM Client Business	U

The E and U accounts are Cleared Swaps Customer Accounts as defined in Part-22 of the CFTC Regulations.

(vi) ~~2C.1.13.6~~ Default Fund (DF) Account

Each FCM Clearing ~~Member's Default Fund~~ Member's Contribution is held in a separate financial account, in accordance with the Default ~~Fund~~ Rules. The Default Fund account code is "F".

~~2C.1.14~~ Margins

(n) ~~2C.1.14.1~~ Margin

(i) Initial Margins

Separate Initial Margin calculations are performed for an ECFCM's house "H" and client "C" accounts; ~~no offset between these accounts is allowed~~. Accounts are margined net, meaning that if long and short positions are held in the same delivery month, Initial Margin is charged on the net position. Separate Initial Margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub-Account therein. No offset between the "C" and "H" accounts is permitted.

(ii) 2C.1.14.2—Initial Margins Parameters

Initial Margin parameters are set by the Clearing House. However, in accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual ECFCM's house and/or client accounts.

ECFCMs will be notified by the Clearing House of alterations to Initial Margin parameters no later than the day before calls are made based on the new rates.

(iii) 2C.1.14.3—Calculation of Initial Margins

## London SPAN

Initial ~~Margins are~~ Margin is re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange<sup>13,14</sup>.

For full details of how London SPAN calculates margin, reference should be made to the SPAN technical information package available from the Clearing House's Service Desk at +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House's Risk Management Department at +44 (0)20 7426 7620.

(iv) 2C.1.14.4—Realized Variation Margin

~~The majority of~~ FCM EnClear Contracts are settled to market daily by the Clearing House in accordance with the relevant FCM EnClear Contract Terms. Profits or losses are either credited to or debited from ~~ECFCMs' relevant financial accounts (realized margin~~ FCM Clearing Members' relevant Proprietary Account or FCM Omnibus EnClear Client Account with LCH (and further attributed to the relevant FCM Client Sub-Account).

Realized margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded (i.e., the

<sup>13</sup> ~~The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.~~

<sup>14</sup> The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

Fixed Price for new trades and the previous day's Reference Price for other positions).

#### ~~2C.1.14.5~~ ~~Contingent Variation Margin~~

~~Certain types of FCM EnClear Contracts (e.g., World Scale Wet Freight) are marked to market daily by the Clearing House in accordance with the relevant FCM EnClear Contract Terms. Unrealized margin is the calculated contingent profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded (i.e., the original traded price).~~

~~2C.1.14.6~~ ~~Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house "H" account and each client "C" account (subject to the Default Rules).~~

#### (v) Option Variation Margin

As premium is paid up front, option Variation Margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.

~~2C.1.14.7~~ ~~Separate Variation Margin calculations are performed in respect of an FCM Clearing Member's house "H" account and in respect of an FCM Clearing Member's client "C" account. No offset between the "C" and the "H" accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment with respect to each house "H" account and each client "C" account (subject to the Default Rules).~~

#### (vi) Intra Day Margin Calls

In accordance with the FCM Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers it necessary. Intra-day margin calls will be made through the Protected Payments System ~~in London or the USA (USD) (see Sections 3.2.1 and 3.2.2 respectively).~~ (see Section 3.2).

#### (o) ~~2C.1.15~~ ~~Trade Management for the Freight Division~~

PLEASE NOTE: FCM EnClear Transactions for the Freight Division may be submitted for clearing to be registered either:

- (a) (a) in the name of two ECFCMs; or

~~(b)~~ (b) an ECFCM and a non-ECFCM Clearing Member.

As such, for the purposes of this Procedure ~~2C.1.15~~;2.3.1(o), for the ease of expositions, references to an ECFCM, may, in the case of FCM EnClear Transactions of type (b) above, included a non-ECFCM Clearing Member.

~~(i) 2C.1.15.1~~ Trade Entry

FCM EnClear Transactions for the Freight Division may be submitted for clearing either directly by the ECFCM or by an Approved Broker via ClearWay, or through an OTP. A list of Approved Brokers is available from the Clearing House.

BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.

The following particulars of FCM EnClear Transactions must be entered in ClearWay via its Ticket Entry screen:

- (A) Product
- (B) Series (Spot, Month, Quarter, Season or Calendar)
- (C) Contract Type (Forward, Call or Put)
- (D) Prompt (contract day, month, quarter, season or calendar)
- (E) Strike (select from the dropdown list)
- (F) Seller Ref (a sequential number)
- (G) Buyer Ref (same as the Seller Ref)
- (H) Seller Account (obtained from the customer or its ECFCM)
- (I) Buyer Account (obtained from the customer or its ECFCM)
- (J) Lots (per month (or day in the case of spot))
- (K) Price

The following particulars of FCM EnClear Transactions must be entered in ClearWay via an Upload file:

- (1) Type (always TICKET)
- (2) Sell Trader (always LCH1)

- (3) Sell Account (obtained from the customer or its ECFCM)
- (4) Sell Broker (their 3 letter mnemonic)
- (5) Buy Trader (always LCH1)
- (6) Buy Account (obtained from the customer or its ECFCM)
- (7) Buy Broker (their 3 letter mnemonic)
- (8) Contract (combination of the product, series, contract type, prompt and strike)
- (9) Quantity (in lots)
- (10) Price
- (11) Buy Client Ref (a sequential number)
- (12) Sell Client Ref (same as the Buy Client Ref)
- (13) Anonymous Trade (always Y)

In certain circumstances the Clearing House may enter trades upon request from an ECFCM, Approved Broker, OTP or other party. In such circumstances, the Clearing House shall have no liability to the ECFCM, Approved Broker, OTP or any other party for any failure to input trades or for inputting trade details incorrectly.

(ii) ~~2C.1.15.2~~—Trades between persons who are not ECFCMs

Where an FCM EnClear Transaction is executed directly between two parties who are not ECFCMs, or between an ECFCM and another non-ECFCM party (who is not a non-ECFCM Clearing Member), the trade may be submitted for clearing **provided that** each party to that trade has an ECFCM who is prepared to “accept” that trade for clearing. Such FCM EnClear Transaction will then be submitted to the relevant ECFCMs via ClearWay for acceptance.

(iii) ~~2C.1.15.3~~—Acceptance of Trades

Freight Trades must be accepted by ECFCMs in order to be cleared.

When details of an FCM EnClear Transaction are input via ClearWay, such trade details will be sent to the ECFCMs identified in such particulars, who may then accept or reject their side of that trade.

ECFCMs can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those ECFCMs. Trades which do not pass the lot limit validation criteria set by an ECFCM will go to a pending state, and will not be cleared unless they are manually accepted on the same day by the ECFCM, unless the ECFCM has elected, via the lot limit filter, to have its trades automatically rejected if they do not pass the lot limit validation criteria. If an ECFCM has a credit limit set up for an account and a trade is entered which is within that limit, that ECFCM will not have an opportunity to reject that trade.

Once a trade has been accepted by both ECFCMs in ClearWay, either manually or automatically via the credit filter, it is submitted to ECS for registration, where the trade is novated and a subsequent FCM EnClear Contract arises between each ECFCM and LCH.Clearnet.

~~Cleartrade trades need to be confirmed in Cleartrade's credit filter prior to being accepted by ECS for registration. ECFCMs can set credit limit parameters for their clients in Cleartrade and should refer to Cleartrade's procedures for further details of this.~~

If a trade is neither accepted nor rejected by both ECFCMs by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that ECFCM or any other ECFCM and the trade will either remain open as a bilateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.

Acceptance by an ECFCM of any FCM EnClear Transaction means that the ECFCM so accepting agrees to be bound by an FCM EnClear Contract arising in respect of that FCM EnClear Transaction in accordance with the FCM Regulations and these FCM Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to ECFCMs, the trade may not be withdrawn, recalled or amended.

(iv) 2C.1.15.4 — Contra Trades

Where incorrect details of a trade have been accepted by both ECFCMs in accordance with the FCM Regulations and these FCM Procedures, the only available method to correct that trade will be by the entry of a contra trade.

A contra trade will not be required if the trade has a status of "pending" and has not been accepted by both counterparties, as

the trade can be cancelled via ClearWay by the ECFCM or Approved Broker and input again with the correct details.

An accepted trade may need to be corrected by a contra trade for the following reasons:

- (A) incorrect price;
- (B) incorrect expiry month;
- (C) incorrect product;
- (D) incorrect lots (only where too many lots have been entered);
- (E) incorrect buyer/seller.

ECFCMs will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of the ECFCMs to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by an ECFCM, it will be automatically accepted by that ECFCM. Where a trade does not meet the validation criteria, it will remain pending and need to be manually confirmed by that ECFCM, unless the ECFCM has elected, via the lot limit filter, to have its trades automatically rejected if they do not pass the lot limit validation criteria.

Contra trades will attract the same clearing fees as a normal trade unless the Clearing House's Commercial Services are notified of the trade details at +44 (0)20 7426 7027/6311.

~~(p) 2C.1.16~~ *Position Transfers*

ECFCMs wishing to affect a position transfer from one ECFCM to another ECFCM should submit a request (a "**Position Transfer Request**") to the Clearing House's Membership Team by email to [MembershipTeam@lchclearnet.com](mailto:MembershipTeam@lchclearnet.com). Confirmation of a position transfer is required from both the transferor ECFCM and the transferee ECFCM.

ECFCMs are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS/~~Synapse~~.

**Provided that** adequate Margin is available from both ECFCMs, the transfer will normally be authorized. Should insufficient Margin be available, the transfer may not be authorized until additional Margin is provided.

(q) ~~2C.1.17~~ *Reports*

ECS

The ECS system will generate reports at the end of each business day detailing registered FCM EnClear Contracts in the Freight Division, margin requirements and positions. These reports are available to ECFCMs and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each ECFCM and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

ClearWay

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by ECFCMs and Approved Brokers through the ClearWay GUI and downloaded as a report.

(r) ~~2C.1.18~~ *Fees*

Fees arising for the provision of FCM EnClear Clearing Services will be collected from the ECFCMs monthly through the Members' accounts. [Fee information may be found online at \[●\]](#).

Details of tariffs and any changes thereto will be notified to ECFCMs by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for FCM EnClear Contracts registered by the Clearing House is communicated to ECFCMs), please see Section ~~3-6~~3.6 of these FCM Procedures. ECFCMs should also have regard for the individual sections of this Section ~~2C~~2.3 of these FCM Procedures which may contain further information regarding fees.

(s) ~~2C.1.19~~ *Tax*

ECFCMs should take their own legal and accounting advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any FCM EnClear Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the ECFCM who is or was party to that FCM EnClear Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The



Clearing House will collect such payments through the Clearing House Protected Payments System.

To the extent that VAT or any equivalent tax is due or becomes due in respect of a transaction under any FCM EnClear Contract, the consideration which the parties have agreed is due under the contract will be regarded as VAT exclusive and VAT will be charged in addition to this amount.

~~2C.1.20~~ **[Reserved]**

(t) ~~2C.1.21~~ *Procedures for Liquidation of FCM EnClear Contracts of FCM Clients*

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the FCM Rulebook, the CEA and the CFTC Regulations, to liquidate the FCM EnClear Contracts of FCM Clients which, pursuant to the FCM Rulebook, would be conducted in accordance with the Default Rules. This section sets forth certain supplementary procedures (in addition to the Default Rules and other applicable provisions of the FCM Rulebook) that will apply under such circumstances.

In certain circumstances the Clearing House may deem, in its sole discretion, that one or more of the FCM EnClear Contracts attributable to an FCM Client's FCM Client Sub-Account should be liquidated. Such determination may result from factors including: (i) the Clearing House determining that the FCM Client poses too great a risk to the Clearing House and should therefore be liquidated, (ii) the Clearing House becoming aware of the FCM Client becoming insolvent or otherwise failing in its obligations to the defaulting FCM Clearing Member, (iii) the relevant FCM Client requesting that it be liquidated, or (iv) a request or instruction from a Regulatory Body, whether orally or in writing. In the event of such liquidation the Clearing House shall transfer (either physically or by book-entry) such FCM Client's FCM EnClear Contracts to be liquidated into an account at the Clearing House established for purposes of liquidating the FCM EnClear Contracts of FCM Clients of the defaulter (such account, a "**Hedged Account**"). The Clearing House shall establish a separate Hedged Account for each currency of FCM EnClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the FCM EnClear Contracts in the applicable currency that are to be liquidated, regardless of the FCM Clients for which such FCM EnClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no FCM Contracts other than FCM EnClear Contracts will be transferred into a Hedged Account established for liquidating FCM EnClear Contracts.

An FCM Client whose FCM EnClear Contracts are transferred into a Hedged Account is referred to as a "**Non-Porting Client**". The Clearing

House shall hold the relevant Collateral of Non-Porting Clients (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in the relevant FCM Omnibus EnClear Client Account with LCH of the ~~Default~~ Defaulter until the liquidation of the entire Hedged Account and all FCM EnClear Contracts and other positions therein, as described below. At the time that the FCM EnClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such FCM EnClear Contracts shall be discharged as of the time such FCM EnClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the relevant FCM Client Sub-Account of such FCM Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the FCM Client, crediting the relevant FCM Client Sub-Account of such FCM Client.

(i) *Administration of a Hedged Account.* The Clearing House may enter into hedge transactions and liquidate and/or auction the FCM EnClear Contracts and hedges for the account of the Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the FCM Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

(ii) *Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients.* The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs including the gains and losses associated with hedging transactions, and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

(A) ~~(i)~~ — At the time an FCM Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s Required Margin with respect to its FCM EnClear Contracts that are transferred into the Hedged Account at the time such FCM Client became a Non-Porting Client (*i.e.*, at the time of transfer into the Hedged Account).

(B) ~~(ii)~~ — On the first day that FCM Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in

the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.

~~(C)~~ ~~(iii)~~—On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Required Margin associated with the Hedged Account with respect to all positions (including all FCM EnClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (*i.e.*, at a time prior to the transfer of the FCM EnClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Required Margin applicable to the transferred FCM EnClear Contracts of the New Non-Porting Clients.

~~(D)~~ ~~(iv)~~—On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph ~~(iv)~~**(D)** until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the

New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (iiB) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (iiB) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iiiC) above and this paragraph (ivD).

(E) ~~(v)~~—Upon the liquidation of the Hedged Account and all FCM EnClear Contracts and other positions therein, 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 EnClear Contract of each Non-Porting Client transferred into the Hedged Account, as adjusted by a “liquidation adjustment factor”. For purposes of this clause (vE), (1) ~~“unit value”~~ means the value applied to each FCM EnClear Contract, based on the net present value and outstanding notional value associated with each such FCM EnClear Contract, and (2) ~~“liquidation adjustment factor”~~ means a ratio applied to an FCM EnClear Contract based on the aggregate auction/liquidation costs incurred in auctioning/liquidating the Hedged Account and the aggregate notional value of all FCM EnClear Contracts in the Hedged Account, each of clauses (1) and (2) as determined by the Clearing House. The allocations described in this clause (vE) 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 relevant FCM Client Sub-Account.

2.3.2 ~~2C.2~~ **Freight Division**(a) ~~2C.2.1~~ **Introduction**

**This Section ~~2C.20~~ only applies to the Freight Division of the FCM EnClear Clearing Services.**

References to “FCM EnClear Clearing Members” or “ECFCMs” in this section, means those ECFCMs who are party to, or accept, FCM EnClear Transactions in the Freight Division for clearing by the Clearing House. See Section ~~2C.1.3.1~~ 2.3.1(a) for further details about obtaining approval to clear within the Freight Division.

(b) ~~2C.2.2~~ **OTC Freight Division Products Eligible for Clearing**

Only trades in products approved by the Clearing House for the LCH FCM EnClear OTC Freight Division (“**Eligible Products**”) may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of Schedule ~~€3~~ to the FCM ~~Regulations~~ Product Specific Contract Terms And Eligibility Criteria Manual and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into four categories of products within Freight Division. The list may change from time to time.

(i) ~~2C.2.2.1~~ **FFA (Forward Freight Agreement) Products**

Dry Timecharter Basket Routes – Forwards (CTC, ~~CPT~~, PTC, STC, HTC)

Dry Timecharter Basket Routes – Options (CTO, ~~CPO~~, PTO, STO, HTO)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

~~Tanker Voyage Routes (TD3, TD5, TD7, T19, TC2, TC4, TC5, TC6)~~

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)

~~Baltic Exchange Dry Index (BDI)~~(ii) ~~2C.2.2.2~~ **CFSA (Container Freight Swap Agreement) Products**

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

~~(iii) 2C.2.2.3~~ WCI Container Products

WRS (Rotterdam – Shanghai)

WLS (Los Angeles – Shanghai)

~~(iv) 2C.2.2.4~~ Commodities

Iron Ore Swaps (TSI)

Iron Ore Options (TSO)

Steel Swaps (SCN, SCS, SST, SBC, SCC)

Fertilizer Swaps (UNO, UYZ, DTA, DNO, UAN, UNE)

Coal Swaps (API 2 and API 4)<sup>15,16</sup>

Coal Options (API 2 and API 4)<sup>17,18</sup>

~~(c) 2C.2.3~~ Operating Times

~~(i) 2C.2.3.1~~ Opening Days

The Clearing House will publish details of the business days on which the FCM EnClear Clearing Services is operational to receive FCM EnClear Transactions in its Freight Division by Member Circular.

<sup>15</sup> ~~API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.~~

<sup>16</sup> ~~API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.~~

<sup>17</sup> ~~See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.~~

<sup>18</sup> ~~See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.~~

~~(ii) 2C.2.3.2~~ Opening Hours

FCM EnClear Transactions in the Freight Division may be notified during the following hours, London time:

<u>Products</u>	<u>Trade Entry Times</u>	<u>Trade Confirmation Times</u>
FFAs	07:00 – 18:00	07:00 – 18:30
Containers	07:00 – 18:00	07:00 – 18:30
Iron Ore	07:00 – 18:00	07:00 – 18:30
Steel	07:00 – 18:00	07:00 – 18:30
Fertilizer	07:00 – 18:00	07:00 – 18:30
Coal Swaps	07:00 – 18:00	07:00 – 18:30
<u>Coal Options</u>	<u>07:00 – 18:00</u>	<u>07:00 – 18:30</u>
<del>Coal Options</del>	<del>07:00 – 18:00</del>	<del>07:00 – 18:30</del>
	On expiry date – 07:00 – 17:00	On expiry date – 07:00 – 17:30

Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an FCM EnClear Transaction and will not be registrable that day. It may, however, be re-submitted on another day.

~~Note: ECFCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.~~

~~2C.2.4~~ Trade Acceptance: Cleartrade Credit Filter

~~ECFCMs may elect to use Cleartrade Exchange Pte Ltd's credit filter. If an ECFCM does so elect, then, when a trade is submitted through the filter, submission of the trade through the filter constitutes a deemed "acceptance" of the trade on behalf of the ECFCM. If an ECFCM wishes to allow for trades to be submitted in its name, through the Cleartrade credit filter, it should contact the Clearing House's Membership Department for the requisite variation agreement, amending the Clearing Extension Agreement. ECFCMs shall be bound by the FCM EnClear Contract which arises subsequently, upon registration of the trade in ECS.~~



~~Correspondingly, where a trade has been submitted to ECS via the Cleartrade credit filter, a pre-matched contra trade in respect of that trade may only be submitted via the Cleartrade credit filter.~~

~~2C.2.5~~ Note: ECFCMs are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

(d) *Settlement*

All FCM EnClear Contracts arising from FCM EnClear Transactions in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series ~~(not permissible for World Scale wet contracts)~~. No physical settlement is permissible.

(e) ~~2C.2.6~~ *Reference Prices for Daily Settlement and Marking to Market*

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each Business Day for daily settlement purposes and for the final settlement prices. See Part B of Schedule ~~€3~~ to the FCM ~~Regulations~~ Product Specific Contract Terms and Eligibility Criteria Manual for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the “**Floating Price**” for the purposes of the Contract Terms (see Schedule ~~€3~~ to the FCM ~~Regulations~~ Product Specific Contract Terms and Eligibility Criteria Manual).



### 2.3.3 ~~2C.3~~ *Option Exercise and Expiry*

#### (a) ~~2C.3.1~~ *Freight, Fertilizer and Iron Ore Options*

Freight, Fertilizer and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. **Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled.** Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

#### (b) ~~2C.3.2~~ *Coal Options*

Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.

##### Automatic Exercise

Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.

Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

##### Manual Exercise or Cancellation

On expiry day and before 17:30 hours, London time, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or assignment, an open futures position will be created in the underlying contract at the strike price.

~~It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.~~

2C.3.3-It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.

(c) *Exercise by the Clearing House*

When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.

Notice of Assignment/Allocation

The Clearing House will use reasonable endeavorsefforts to notify the relevant seller of its allocation as soon as is possible on the day the options expire.

Notification will be sent via the MBREXR report on the MemberLive reporting site. ECFCMs must have a valid account and password to access this secure site.

~~2D. THE FCM~~

## 2.4 ~~2D~~ **NODAL-CLEARING SERVICE**

### 2.4.1 ~~2D.1~~ **Introduction**

#### (a) ~~2D.1.1~~ **Background**

This Section ~~2D~~2.4 of the FCM Procedures is referred to as the “**FCM Nodal Procedures**”. FCM Nodal Clearing Members must inform themselves fully of their obligations under the FCM Rulebook, and under the other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Nodal Clearing Members should also familiarize themselves with Nodal’s Rules.

The Clearing House provides the FCM Nodal Clearing Service in respect of cash-settled FCM Nodal Contracts only. Hence, it does not cover options contracts and there are no physical deliveries under this service. There is no provision for allocation or give-ups.

Please note that each of the FCM Rulebook and Nodal’s Rules are subject to change from time to time. Enquiries regarding these **FCM Nodal Procedures** or any other aspects of the operation of the FCM Nodal Clearing Service should be directed to the Clearing House’s Operations Department at +44 (0)20 7426 7689. Enquiries regarding FCM Nodal Clearing Member status should be directed to the Clearing House’s Membership Department at +44 (0)20 7426 7949 or [membership@lchclearnet.com](mailto:membership@lchclearnet.com). Enquiries relating to Nodal’s Rules should be directed to Nodal.

Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>) and Nodal website (<http://www.nodalexchange.com>).

#### (b) ~~2D.1.2~~ **Interpretation**

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

### 2.4.2 ~~2D.2~~ **Membership**

An FCM Nodal Clearing Member may submit an FCM Nodal Transaction for registration by the Clearing House. Note that a transaction in a Nodal Eligible Derivative Product that will be cleared on one side by an FCM Nodal Clearing Member and on the other side by a Nodal Service Clearing Member is both an FCM Nodal Transaction (with respect to the FCM Nodal Clearing Member) and a Nodal Transaction, as such term is defined in the UK General Regulations (with respect to the Nodal Service Clearing Member). An FCM Nodal Transaction may also be submitted for registration on behalf of the applicable FCM Nodal Clearing Member by a Nodal Non-Clearing Participant (“**Nodal NCP**”) as set out **at**in Section ~~2D.4.1~~ 2.4.4(b).

FCM Nodal Clearing Members must comply with all Clearing House requirements and with any Nodal requirements relating to participation in the relevant Nodal Trading Facility.

It is the responsibility of each FCM Nodal Clearing Member to keep any report, including, but not limited to, the NODAL Service ~~CMSCM~~ Report, required for its own historic, audit or legal purposes.

Details of how to be approved as an FCM Nodal Clearing Member can be obtained from the Clearing House Membership Department at +44 (0)20 7426 7949 or membership@lchclearnet.com.

~~(a)~~ ~~2D.2.1~~ *Submission of Nodal Transactions for Registration*

An FCM Nodal Clearing Member that wishes to register an FCM Nodal Transaction with the Clearing House must comply with all requirements of Nodal and Nodal's Rules.

~~2D.3~~ ~~GENERAL~~

~~2.4.3~~ ~~2D.3.1~~ *General*

~~(a)~~ *Operating Times*

~~2D.3.1.1~~ *Opening Days*

~~(i)~~ . Details of the days on which the FCM Nodal Clearing Service is operational will be published by the Clearing House by circular to FCM Nodal Clearing Members. Details of the days on which the Nodal Trading Facility is operational are available from Nodal.

~~2D.3.1.2~~ *Opening Hours*

~~(ii)~~ . The FCM Nodal Clearing Service will be operational from 01:00 to 17:30 hours, Eastern Prevailing Time (the "**Opening Hours**").

~~2D.4~~ ~~NODAL TRANSACTIONS~~

~~2.4.4~~ ~~2D.4.1~~ *Nodal Transactions*

~~(a)~~ *Eligible Transactions*

Only the transactions referenced in this Section ~~2D.4.0~~ in Nodal Eligible Derivative Products that are executed or registered through a Nodal Trading Facility in accordance with Nodal's Rules will be designated as FCM Nodal Transactions eligible for registration by the Clearing House.

Any such FCM Transactions must satisfy the Clearing House's requirements as set out in these ~~FCM~~ Nodal Procedures and in the

FCM Regulations, and ~~Nodal's~~ requirements ~~as set out in~~ Nodal and Nodal's Rules.

### **Presentation for Registration.**

An FCM Nodal Transaction will be presented to the Clearing House for registration as either two FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as applicable, with the Clearing House (i) as seller to the buying FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and (ii) as buyer to the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable).

Where two Nodal NCPs both clear through the same FCM Nodal Clearing Member, then each side of the trade will be presented to the Clearing House for registration as a separate FCM Nodal Contract:

- with one in which such FCM Nodal Clearing Member is ~~b~~Buyer and the Clearing House is the ~~seller~~Seller; and
- ~~and~~with the other in which such FCM Nodal Clearing Member is the ~~s~~Seller and the Clearing House is the ~~b~~Buyer.

#### (b) ~~2D.4.2~~ FCM Nodal Contracts and Nodal Contracts – Eligibility Criteria

It is part of the eligibility criteria for registration as an FCM Nodal Contract, that the particulars of an FCM Nodal Transaction presented to the Clearing House must include matched information in respect of the following:

- (~~a~~1) Seller and the Buyer;
- (~~b~~2) the Nodal Eligible Derivatives Product which is the subject of the FCM Nodal Transaction; and
- (~~e~~3) the transaction specific information in respect of the Nodal Eligible Derivative Product.

## ~~2D.5~~ CLEARING FOR NODAL NON-CLEARING PARTICIPANTS

### ~~2.4.5~~ ~~2D.5.1~~ NODAL Clearing for Nodal Non-Clearing Participants

#### (a) Nodal NCPs

Certain FCM Nodal Clearing Members may clear for one or more Nodal NCPs. In order to do so, the following conditions must be satisfied at all times:

- (~~a~~1) the Nodal NCP is a participant of Nodal; and

- (b2) the FCM Nodal Clearing Member and the Nodal NCP are party to a valid and enforceable agreement under which the FCM Nodal Clearing Member agrees to clear FCM Nodal Transactions on behalf of such person. Such agreement must confer rights on the FCM Nodal Clearing Member and the FCM Nodal Clearing Member must lawfully be entitled at all times to pass to the Clearing House, in accordance with FCM Regulation ~~15.33~~ *(Disclosure and Reporting)*, such information and data relating to the Nodal NCP as the Clearing House may in its sole discretion deem appropriate.

The static data form executed by both the Nodal NCP and the FCM Nodal Clearing Member shall be definitive proof of the FCM Nodal Clearing Member clearing for such Nodal NCP.

~~The Clearing House contracts with the FCM Nodal Clearing Member alone and, to the fullest extent permitted by law, disclaims any duties or obligations to any Nodal NCP.~~

THE CLEARING HOUSE CONTRACTS WITH THE FCM NODAL CLEARING MEMBER ALONE AND, TO THE FULLEST EXTENT PERMITTED BY LAW, DISCLAIMS ANY DUTIES OR OBLIGATIONS TO ANY NODAL NCP.

Further details regarding clearing for Nodal NCPs can be obtained from the Clearing House's Membership Department at +44 (0) ~~20 7426207426~~ 7949 or membership@lchclearnet.com.

~~(b) 2D.5.2~~ *Termination*

The FCM Nodal Clearing Member may terminate its agreement with a Nodal NCP at any time by giving 21 days written notice to Nodal and the Clearing House. For the avoidance of doubt, (i) the Clearing House need not receive any notice of or any confirmation of such termination from the Nodal NCP and (ii) termination by the FCM Nodal Clearing Member of its agreement with a Nodal NCP will be without prejudice to the FCM Nodal Clearing Member's obligations arising from or in relation to any FCM Nodal Transaction or FCM Nodal Contracts arising prior to such termination.

~~2D.6~~ REGISTRATION OF NODAL TRANSACTIONS

~~2.4.6 2D.6.1~~ Registration of FCM Nodal Transactions

~~(a)~~ General

The Clearing House may require an FCM Nodal Clearing Member in whose name an FCM Nodal Transaction is to be registered to provide it with Collateral cover for Initial Margin and Variation Margin as a condition of registration as an FCM Nodal Contract.

~~(b) 2D.6.2~~ Registration

All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of an FCM Nodal Transaction, are deemed to have been registered by the Clearing House immediately upon receipt by the Nodal Clearing System (NCS).

~~(c)~~ ~~2D.6.3~~ *Novation*

Upon registration, each FCM Nodal Transaction is novated and replaced with either two separate FCM Nodal Contracts or one FCM Nodal Contract and one Non-FCM Nodal Contract, as applicable, one between the selling FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and the Clearing House and the other between the buying FCM Nodal Clearing Member or Nodal Service Clearing Member (as applicable) and the Clearing House. Novation is described in more detail in the FCM Regulations.

~~(d)~~ ~~2D.6.4~~ *Notification*

With respect to an individual FCM Nodal Clearing Member, all FCM Nodal Contracts arising from its FCM Nodal Transactions are listed on its Nodal Service Clearing ~~Member~~ Statement (CMS) report available via LCH.C's Member Reporting website.

~~2D.7~~ ~~POSITION AND FINANCIAL ACCOUNTS~~

~~2.4.7~~ ~~2D.7.1~~ ~~Position and Financial Accounts~~

~~(a)~~ ~~Position-Keeping Accounts~~

~~2D.7.1.1~~ ~~Types of Account~~

~~(i)~~ . Positions with regard to FCM Nodal Contracts are recorded within NCS in position-keeping accounts at Individual Trader Mnemonic (“ITM”) level, which are not FCM Nodal Clearing Member accounts as described in FCM Regulation ~~47~~. The account types are as follows:

H House (excluding FCM Clients)

C Segregated FCM Client

The requirement to open an H account and ~~an~~ C account is compulsory.

~~2D.7.1.2~~ ~~Basis of Position Keeping~~

~~(ii)~~ . The ITM represents a trading desk within the NCP. As such, the ITM is the basis for the position keeping account and NCPs can have several ITMs.

Note also that the position-keeping accounts are held net at the ITM level. Netting is permitted with respect to the positions of an individual FCM Client of an FCM Nodal Clearing Member (e.g., a position of bought one lot and sold two lots will be reported as sold one).

(b) ~~2D.7.2~~ Financial Accounts

FCM Nodal Clearing Member position-keeping accounts have financial accounts associated with them. These are, among other things, used to record cash balances, securities/documentary credits and unrealized margin.

Where appropriate, an FCM Nodal Clearing Member's financial accounts are identified by a single character code: C for segregated client business; H for house business.

Information contained within position-keeping accounts is consolidated into financial accounts, as follows:

(i) ~~2D.7.2.1~~ Relationship with Position-keeping accounts

Position-keeping accounts	Financial account
H House	H
C Segregated FCM Client (used for Initial Margin flows)	C

The C Account is a segregated futures customer account which is part of the Futures Account Class.

By permitting a transaction to be allocated to a position-keeping account, an FCM Nodal Clearing Member is also deemed to be designating that transaction for the associated financial account.

~~2D.7.2.2~~ Other Financial Accounts

(ii) . Subject to approval by the Clearing House, further financial accounts, used only to record financial balances, may be opened as follows:

	Code
Additional Margin accounts, used for holding additional deposits in relation to House Business (FCM Nodal Clearing Members only)	B
Additional Margin account (FCM Client), used for holding additional cash in relation to FCM	E



Client business.

LCH client segregated account (used for L Variation Margin flows)

~~2D.7.2.3~~

The E account is a segregated futures customer account which is part of the Futures Account Class.

#### Default Fund (DF) Account

(iii) . Each FCM Nodal Clearing Member's Contribution is held on a separate financial account, in accordance with the Default Fund Rules. The Default Fund account code is F.

#### 2.4.8 ~~2D.8~~ *Fees*

##### (a) ~~2D.8.1~~ *General*

Fees arising for the provision of the FCM Nodal Clearing Service will be collected monthly from an FCM Nodal Clearing Member's financial account.

Details of tariffs and any changes thereto will be notified to FCM Nodal Clearing Members by FCM Clearing Member circular.

For further details (including details of how information regarding charges made for FCM Nodal Contracts registered by the Clearing House is communicated to applicable FCM Nodal Clearing Members) please see Section ~~3.63~~.6 of these FCM Procedures.

##### (b) ~~2D.8.2~~ *Execution Fees*

Members should note that, in respect of FCM Nodal Contracts, fees charged to FCM Nodal Clearing Members by the Clearing House will include execution fees which the Clearing House will collect on behalf of Nodal in respect of the underlying trades executed through the Nodal Trading Facility.

Details of execution fees and any changes thereto will be notified to FCM Nodal Clearing Members by Nodal.

#### ~~2D.9~~ MARGIN

##### 2.4.9 *Margin*

For the purposes of the FCM Nodal Clearing Service only, a “**Reference Price**” includes daily Settlement Price and final Settlement Price as used in Nodal’s ~~Rules~~.

(a) ~~2D.9.1~~ *Variation Margin*

Certain FCM Nodal Contracts are settled to market daily by the Clearing House. Profits or losses are either credited to or debited from FCM Nodal Clearing Member’s relevant financial accounts (realized margin).

~~2D.9.1.1~~ **Realized Margin**

Realized margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant daily Settlement Price with the value of positions recorded (i.e., the Traded Price for new trades and the previous day’s daily Settlement Price for other positions). The currency of this margin amount will be the same as the currency denomination of the contract’s Reference Price.

~~2D.9.2~~ Separate Variation Margin calculations are performed in respect of an FCM Nodal Clearing Member's house “H” account and in respect of an FCM Clearing Member's client “C” account. No offset between the “C” and the “H” accounts is permitted. The Clearing House shall make or receive a separate Variation Margin payment in respect of each house “H” account and each client “C” account (subject to the Default Rules) of each FCM Nodal Clearing Member.

(b) ~~2D.9.1~~ *Initial Margin*

Separate Initial Margin calculations are performed for ~~an~~ FCM Nodal Clearing Member’s house “H” and client “C” accounts; **no offset between these accounts is allowed**. “H” accounts are margined net, meaning that if long and short positions are held in the same delivery month/prompt date, Initial Margin is charged on the net position. “C” accounts are margined gross on an FCM-Client-by-FCM-Client basis, meaning that if long and short positions with the same Delivery Month/Prompt Date are attributable to the same FCM Client, Initial Margin is charged on the net position, whereas no netting of positions may occur between positions attributable to distinct FCM Clients. A list of acceptable ~~Collateral~~collateral to cover Initial Margin requirements can be found at the following location:

~~[http://www.lchclearnet.com/risk\\_management/ld/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ld/acceptable_collateral.asp)~~

~~2D.9.2.1~~

~~[http://www.lchclearnet.com/risk\\_management/ld/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ld/acceptable_collateral.asp)~~

Initial Margin Parameters

(i) ~~Initial Margin parameters are set by the Clearing House. However, in~~ accordance with the FCM Regulations, the

Clearing House retains the discretion to vary the rates for the whole market or for an FCM Nodal CM's Clearing Member's "H" and/or "C" accounts.

FCM Nodal Clearing Members will be notified by the Clearing House of alterations to Initial Margin parameters no later than the day before calls are made based on the new rates.

#### ~~2D.9.2.2~~ Intra-day Margin Calls

- (ii) . In accordance with the FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers it necessary. Intra-day margin calls will be made through the protected payments system ("PPS") in London ("**London PPS**") or the USA ("**US PPS**") (see Section ~~3.2~~ 3.2 of these FCM Procedures).

#### ~~2D.9.2.3~~ Calculation of Initial Margin

##### ~~2D.9.2.3.1~~ - VaR

- (iii) . Initial Margin is re-calculated at the close of each business day using a VaR algorithm developed to margin Nodal exchange contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department at +44 (0)20 7426 7520.

#### ~~2.4.10~~ Tax

#### ~~2D.10~~ TAX

FCM Nodal Clearing Members should rely on their own advice or the advice of their outside advisors regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any FCM Nodal Contract, it shall have the right to require reimbursement of such tax liability, together with any costs and expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the FCM Nodal Clearing Member who is or was party to that FCM Nodal Contract, and who, in the Clearing House's opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through PPS.

#### ~~2D.11~~ SETTLEMENT OF FCM NODAL CONTRACTS

##### ~~2.4.11~~ Settlement of FCM Nodal Contracts

FCM Nodal Contracts are settled depending upon their terms, as set out in the relevant FCM Nodal Contract Terms.

~~(a) 2D.11.1~~ — *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the final Settlement Price and the previous trading day's daily Settlement Price or such other quotation as is specified in Nodal's Rules. This amount is debited from or credited to the FCM Nodal Clearing Member's financial accounts.

~~(b) 2D.11.2~~ — *Reference Prices for daily settlement to market*

Should Nodal fail to determine Reference Prices, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible following such determination.

~~2D.12~~ — **POSITION TRANSFERS**

~~2.4.12~~ **Position Transfers**

An FCM Clearing Member may effect a transfer only in accordance with FCM Regulation ~~8-13~~ *(Transfer)*. The Clearing House will effect such transfer (in conjunction with Nodal) within two days of receiving a request for such transfer from the relevant Receiving ~~FCM~~ Clearing Member; **provided**, that the FCM Clearing Member completes to the satisfaction of the Clearing House any documentation as required and provided by the Clearing House.

**FINANCIAL TRANSACTIONS**

### 3. FINANCIAL TRANSACTIONS

#### 3.1 Accounts

##### 3.1.1 Overview

FCM Clearing Member accounts have financial accounts associated with them. These are, *inter alia*, used to record cash balances and securities/documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts. FCM Clearing Members are usually provided with two sub-accounts per financial account:

- (a) Margin account;
- (b) Tender account (not applicable to Default Fund (DF) accounts).

These accounts are used to record cash movements between the Clearing House and the FCM Clearing Member. Refer to Section ~~2A.5~~2.1.5 for a full description of financial accounts relating to the FCM SwapClear Service. ~~Although the~~

~~The~~ Clearing House and FCM Clearing Members are permitted to physically commingle the Collateral of FCM Clients relating to ~~FCM Contracts in any Business Category of FCM Contract, FCM Clearing Members and the Clearing House are required to maintain separate accounts with the Clearing House for each such Business Category of FCM Contract.~~ Furthermore, collateral furnished on behalf of FCM Clients with respect to FCM Contracts that are Futures Products may not be commingled with collateral furnished on behalf of FCM Clients with respect to FCM Contracts that are Swap Products. Swap Products and to physically commingle the Collateral of FCM Clients relating to Futures Products. However, Collateral relating to Swap Products and Collateral relating to Futures Products must be segregated (both physically and in bookkeeping accounts) from one another in accordance with the CEA and CFTC Regulations.

##### 3.1.2 Margin Account Postings

Transactions posted to the Margin account include but are not limited to:

- (a) PPS ~~payments~~calls and ~~receipts~~pays;
- (b) ~~O~~option premiums;
- (c) ~~Prompt Day~~prompt day delivery amounts;
- (d) ~~I~~interest and accommodation charges;
- ~~Currency purchases and sales;~~
- (e) Clearing House fees, charges and rebates;

- (f) ~~E~~exchange fees, levies and rebates;
- (g) ~~Variation~~ amounts credited or debited in respect of ~~variation~~ margin, ~~Price Alignment Interest~~ price alignment interest, NPV and coupons;
- ~~SwapClear coupon payments;~~
- ~~SwapClear coupon adjustments;~~
- (h) ~~Net Present Value (NPV);~~ cash settlement; and
- ~~Consideration.~~
- (i) ~~settlement differences.~~

Details of collateral balances, valuations and instructions are also available using the on-line Collateral Management System (“CMS”).

### 3.1.3 Tender Account Postings

Transactions posted to the Tender account include but are not limited to:

- (a) ~~PPS payments~~ calls and ~~receipts~~ pays;
- (b) ~~delivery amounts;~~ and
- (c) ~~Coupon P~~payments relating to ~~member~~ FCM Clearing Member Collateral.

### 3.1.4 Financial Transaction Reporting

Banking reports are generated each day ~~that~~ and provide members with data relating to but not limited to: ~~liabilities~~ by market, cash balances, non-~~cash~~ balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.

Details of valuations, cover instructions and cash and non-cash balances are available through the Clearing Management System.

A “Banking Reports Reference Pack” can be requested from the LCH.Clearent Client Training Team. ~~†~~ This contains definitions and examples of each of the available reports.

Details of cover balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).

### 3.2 **Protected Payments System (PPS)**

The Clearing House operates a direct debit system, known as the Protected Payments System (“PPS”), for the transfer of funds to and from FCM Clearing Members. PPS is a recognized interbank payments system overseen by the Bank of England.

PPS is operated in both London (“**LondonUK PPS**”) and in the United States (where it is known as “**US PPS**”). In this Section, a day on which PPS is open is referred to as a “working day”.

FCM Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of monieys due from FCM Clearing Members to the Clearing House and vice versa.— The giving of a commitment by a participating Bank through PPS to make any payment, and the receipt of that commitment by the Clearing House is not to be regarded as satisfaction of any payment due to the Clearing House.

Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all monieys due to the Clearing House as required, *inter alia*, by the FCM Clearing Membership Agreement, clearing extension documentation and the applicable provisions of the FCM Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

#### 3.2.1 **PPS Mandates**

##### (a) **Introduction**

An FCM Clearing Member ~~must open and is required to~~ maintain a PPS accounts bank account(s) in GBP and USD and such other the currency or currencies in which it makes Contributions, and for each currency in which it incurs settlements ~~on its Client or House accounts.~~

~~In addition, FCM Clearing Members must open, at one or more of the bank branches participating in the PPS accounts system in London in USD and in all other. Different banks may be used for different currencies in which it incurs settlements. For details of current,~~

Each FCM Clearing Member is required to maintain at least one US dollar PPS banks, account with at least one of the US PPS banks (please refer to the following link: for details):

~~[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)~~

[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

FCM Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.



Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account PPS mandates.

The GBP non-segregated PPS account will, *inter alia*, be used to process ~~DF-contributions~~ Contributions for all services other than the ForexClear Service. For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Client Funds must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Furthermore, PPS accounts that contain FCM Client Funds held with respect to Futures/Options Contracts may not contain FCM Client Funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations.

Each FCM Clearing Member is required to complete a standard form UK PPS Mandate and/or US PPS Mandate (copies are available from treasury.ops.uk@lchclearnet.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

(b) Currency Conversion

The Clearing House supports cross currency collateral, which allows the FCM Clearing Member to elect to use cash cover denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. FCM Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with LCH.Clearnet Limited Treasury Operations.

(b)(c) Morning PPS Calls

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see section ~~3.3~~0) any shortfall is called through ~~LondonUK~~ PPS with separate calls made for each currency. It is the responsibility of each FCM Clearing Member to ensure that its ~~LondonUK~~ PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 London time, or within one hour of a subsequent call, on the day on which the PPS ~~€~~call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a -central account in the name of the Clearing House) (ii) has

made such payments, ~~and~~ (iii) any time permitted by the relevant payment settlement system for the recall ~~of any such payment has expired.~~

Where payments are due to an FCM Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

~~(e)~~(d) ~~Intraday~~Intra-day PPS Calls

The intra-day margin call by the Clearing House is for intra-day Margin payments. ~~Only~~ USD can be used to cover Margin requirements ~~intraday~~intra-day. Between 14:30 and 16:00 hours (London time) only USD will be called in London.

Normally the Clearing House will call intra-day margin through ~~LondonUK~~ PPS accounts. However, where the Clearing House wishes to make such an intra-day call after ~~LondonUK~~ PPS closes (16:00 London time), such a call will be made upon the FCM Clearing Member's nominated US PPS account.

Only USD will be called by default during the hours of ~~LondonUK~~ PPS for each mnemonic/sub-account. FCM Clearing Members may request a change to the default currency no later than 09:30 London time in order for the change to be undertaken the following day. FCM Clearing Member's may submit a request to change their currency at the following link:

~~[www.lchclearnet.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)~~

[www.lchclearnet.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 ~~hours~~New York ~~T~~ime (21:00 ~~hours~~London ~~T~~ime).

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated PPS bank(s) within one hour of receipt of the ~~intraday~~intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the FCM Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of the LCH.Clearnet Group.

~~(d)~~(e) *Auto repay*

FCM Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lchclearnet.com or telephone +44 (0)20 7426 7505).- In certain circumstances and following notification to one or more Regulatory Bodies, the Clearing House may disable the auto-repay functionality for one or more FCM Clearing Members. The Clearing House will notify affected FCM Clearing Members in the event that the functionality is disabled. ~~This paragraph 3.2.1(d)~~This Section 3.2.1(e) only applies to Proprietary Accounts.

Those FCM Clearing Members not on auto-repay may request any cash balances to be repaid on the same day, provided that such request is received by the Clearing House by 09:30 London time.

~~(e)~~(f) *Value Date*

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Sections ~~3.2.1(b)~~3.2.1(c) and ~~3.2.1(e)~~3.2.1(d), subject to Section ~~3.2.1(g)~~3.2.1(h), all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD, which are processed with value for the same business day.

~~(f)~~(g) *Foreign Bank Holidays*

The Clearing House has made arrangements with ~~London~~UK PPS banks to operate the PPS on all UK banking days including foreign bank holidays.

Confirmation that PPS payments will be made must be received within the deadlines set out in Sections ~~3.2.1(b) and 3.2.1(e)~~3.2.1(c) and 3.2.1(d). However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On ~~the~~ 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS ~~€~~call, for value on 21 August.

Please refer to ~~the~~ Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

[www.lchclearnet.com/member\\_notices/](http://www.lchclearnet.com/member_notices/)

[www.lchclearnet.com/member\\_notices/](http://www.lchclearnet.com/member_notices/)

~~(g)~~(h) UK Bank Holidays

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS ~~€~~calls will be made on the next following business day, for the relevant currency.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS ~~€~~calls will be made as normal that day. Value will be given the same day provided ~~ing~~ that the relevant currency center is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

~~(h)~~(i) Use of ~~London~~UK PPS and US PPS

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS ~~€~~calls. Generally ~~London~~UK PPS will be used for Morning PPS ~~€~~calls (including ~~e~~Contributions to the ~~Default Fund~~default fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 ~~hours~~-London time. However FCM Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS ~~€~~call or intra-day margin calls before 16:00 ~~hours~~, London time, to an FCM Clearing Member's US PPS account in exceptional circumstances (an "Exceptional PPS Call"). The Clearing House will use all reasonable commercial ~~endeavor~~efforts to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

~~(i)~~(j) Contingency Payment Arrangements

FCM Clearing Members must ensure that they have contingency arrangements to ensure ~~continuity of that they can continue to meet~~ their margin ~~payment~~obligations in the event of failure of their nominated PPS ~~B~~bank. From time to time the Clearing House may require the FCM Clearing Member to provide evidence of these arrangements.

~~(j)~~(k) Recovery from ~~i~~nsolvent PPS Banks

In the event that payment is not completed by the relevant PPS bank, due to ~~insolvency~~ ~~and not~~ ~~rather than~~ technical failure, and the affected FCM Clearing Member(s) make alternative payments, should the Clearing House make a recovery from the ~~estate~~ of the PPS bank, it will credit such recovery, net of costs, to the accounts of the ~~affected~~

FCM Clearing Members in proportion to the amount of the original missed payment.

#### PPS Mandate(s)

~~Each FCM Clearing Member is required to complete a standard form London PPS and US PPS Mandate(s) (copies are available from [membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com)) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.~~

### 3.3 Acceptable Forms Of Collateral Cover

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form as Collateral against liabilities of the relevant FCM Clearing Member.

~~The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.~~

~~To view a list of acceptable Collateral, go to: [http://www.lchclearnet.com/risk\\_management/td/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/td/acceptable_collateral.asp).~~

#### Cash

Please refer to the following link for further details:

[http://www.lchclearnet.com/risk\\_management/td/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/td/acceptable_collateral.asp)

~~The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.~~

#### 3.3.1 Cash

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from FCM Clearing Members only in relation to current or anticipated obligations.

Cash cover need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted

exchange rates determined at approximately 16:45 London time the previous business day.

FCM Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two ~~(2) Business Days'~~ business days' notice of their intention to request withdrawal of cash Collateral and its replacement by the lodgment of non-cash Collateral. ~~In or~~ the event that ~~replacement of one currency for another.~~ Where an FCM Clearing Member ~~seeks~~ fails to ~~withdraw such cash Collateral without giving~~ give such notice, the Clearing House may decline to release such cash Collateral until the end of the required notice period. This paragraph applies only to the Proprietary Account of an FCM Clearing Member.

### 3.3.2 **Securities**

Please refer to the following ~~section of the Clearing House's~~ pages on our website for both prevailing haircuts and notes on types of collateral acceptable to the Clearing House as Collateral:

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)  
[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

### 3.3.3 **Securities Value Notification**

FCM Clearing Members may obtain details on the Margin value of securities on their account by viewing the relevant reports available on the Member Reporting Website.

### 3.3.4 **Investment of FCM Client Funds**

Pursuant to the application of FCM Regulation 47(n), the investment of cash Collateral held on behalf of FCM Clients by the Clearing House is limited to investments in U.S. Treasury securities (through outright purchases, repurchase or reverse repurchase transactions).

Each FCM Clearing Member shall instruct the Clearing House as to whether or not to invest such cash Collateral delivered by such FCM Clearing Member to the Clearing House by submitting to the Clearing House such documents as the Clearing House shall provide to FCM Clearing Members for such purpose. If an FCM Clearing Member fails to issue any such instruction to the Clearing House in accordance with such documents, the Clearing House shall invest such cash Collateral from such FCM Clearing Member in accordance with Regulation 47(n).

The Clearing House shall be entitled to charge a cash management fee to FCM Clearing Members that elect to instruct the Clearing House not to invest such cash Collateral. The Clearing House shall notify FCM Clearing Members of the details of such cash management fee via member circular.

### 3.3.5 **Use of EnClear NLV as Collateral**

EnClear credit net liquidating value is not paid in cash, but may be offset against EnClear debit net liquidating value and initial margin across currencies.

### 3.4 Distribution Of Collateral

#### Overview

~~As different types of Collateral attract different utilization fees and different contracts are assessed for VAT in different ways (see Section 3.5.4), the Clearing House identifies the Collateral applied to liabilities in order to allow utilization fees and VAT to be calculated correctly.~~

~~This is done by establishing a specified order for both types of liabilities and types of Collateral and applying Collateral sequentially, such that Collateral type 1 is applied first to liability type 1, Collateral type 2 to liability type 1 if there is a deficiency when Collateral type 1 has been exhausted and so on.~~

~~The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply Collateral held (including any described in LCH.Clearnet Limited reports/records as "unutilized" or "excess") to meet the FCM Clearing Member's liabilities/obligations to LCH.Clearnet Limited.~~

~~The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply Collateral held (including any described in LCH.Clearnet Limited reports/records as "unutilized" or "excess") to meet the FCM Clearing Member's liabilities/obligations to LCH.Clearnet Limited.~~

#### 3.4.23.4.1 Collateral Application

**Note:** ~~The following provision applies solely for the purpose of calculating fees during the overnight offsetting of FCM Clearing Members' Collateral against FCM Clearing Members' liabilities. In case of default by an FCM Clearing Member, please see Section 3.4.3 below.~~

~~An~~In the absence of an FCM Clearing Member election, the Clearing House will apply an FCM Clearing Member's Collateral (in turn) to each liability in the following order:

- (a) same currency collateral in the same currency as the liability; then
- (b) different currency collateral in the following order:
  - (i) GBP;
  - (ii) USD;
  - (iii) CHF;
  - (iv) EUR;
  - (v) JPY;



- (vi) SEK;
  - (vii) CAD;
  - (viii) NOK; then
  - (ix) DKK,
- (c) cash in the same currency as the liability;
- (d) where nominated, cash in a different currency to the liability in the nominated currency preference order (see section 3.4.2).

FCM Clearing Members may ~~choose~~make the following choices:

- (i) whether to have cash Collateral applied before ~~securities~~ or after non-cash Collateral;
- (ii) whether to apply collateral to liabilities in a different currency; and
- (iii) whether to apply cash to ~~its~~ liabilities in a different currency.

#### 3.4.2 Cash currency preference

FCM Clearing Members may nominate the sequence of cash Collateral distribution.

In the absence of a nominated sequence of currency preferences, an FCM Clearing Member's liabilities will be covered by cash in the same currency as the liability. This means that a GBP liability will be covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities ~~or fees,~~ in the relevant currency will be covered by cash called via PPS.

FCM Clearing Members may define their own sequence of cash currency utilization for each mnemonic and each account type (i.e. House or ~~vice versa~~ Client). The sequence does not have to be on a like for like basis and an FCM Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

~~Order~~Any changes to an FCM Clearing Member's nominated currency sequence, or a request to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

#### 3.4.3 Record of ~~Priority~~ cover provided

Charges and interest shall be calculated in accordance with the information published on ~~Default~~ the website of the Clearing House.



#### 3.4.4 Use of a Defaulter's cover

Post-default the Clearing House is entitled to realize and/or apply ~~Collateral~~ Defaulter's cover in whatever order it deems appropriate.

### 3.5 Interest ~~And~~ Accommodation Charge Structure

#### 3.5.1 Cash Balance Interest Rate

The Clearing House applies interest to FCM Clearing Member's<sup>2</sup> cleared cash balances. The following rates are applied:

- (a) LDR – London Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances (excluding ~~DF Contributions~~; Contributions). The LDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the LCH.Clearnet website at the following link: [http://www.lchclearnet.com/fees/ltd/custody\\_services.asp](http://www.lchclearnet.com/fees/ltd/custody_services.asp);
- (b) CDR – Client Deposit Rate – the rate at which the Clearing House will pay or charge interest on credit cash balances on ~~SwapClear Client financial accounts~~; Client financial accounts. The CDR calculation methodology utilizes published market rates minus a spread. The current spread rates are published on the LCH.Clearnet website at the following link: [http://www.lchclearnet.com/fees/ltd/custody\\_services.asp](http://www.lchclearnet.com/fees/ltd/custody_services.asp); and
- (c) Default Fund Rate.

Rates are available from the Member Reporting Website.

The Clearing House reserves the right to alter the basis of calculating each above listed interest rates. Any alteration will be effective on the date notified.

#### 3.5.2 Price Alignment Interest (PAI) Rate

To minimize the impact of daily cash Variation Margin payments on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative Variation Margin received by the FCM Clearing Member and pay interest on cumulative Variation Margin paid in by the FCM Clearing Member in respect ~~to~~ of these instruments. This interest element is known as price alignment interest (“PAI”).

The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:

The amount of NPV in such currency from the previous Business Day's<sup>2</sup> close of business multiplied by:

- (a) The relevant interest rate in effect for that day; divided by

- ~~(b)~~ 360; or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365.

In the case of the currencies marked below with an asterisk, the Clearing House, as provided in FCM Regulation ~~19(b)36(b)~~ (*Alteration of FCM Regulations and the FCM Procedures*), specifies that it will not change the PAI rate without the consent of all SwapClear Clearing Members and applicable FCM Clearing Members holding open contracts in such currencies.

<b>Currency</b>	<b>PAI Rate</b>
USD-*	The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page “FEDFUNDS1” or Telerate 120 or on any successor page(s) thereto.
EUR-*	The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI – The Financial Market Association as such rate appears on Reuters page “EONIA” or Telerate 247 or on any successor page(s) thereto.
GBP-*	The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page “SONIA” or on any successor page(s) thereto.
JPY-*	The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page “TONAR” or on any successor page(s) thereto.
CHF-*	The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page “CHFTOIS” or Telerate 3450 or any successor page(s) thereto.
AUD	The rate used shall be the “AONIA” rate, the rate published by the Reserve Bank of Australia – as such rate appears on Reuters page “RBA30” or any successor page(s) thereto.
CAD	The rate used shall be the “CORRA” rate, the rate published by the Bank of Canada website – as such rate appears on Reuters page “CORRA” or any successor page(s) thereto.
DKK	The rate used shall be the “DKKOIS” rate, the rate published by the Danish Central Bank – as such rate appears on Reuters page “DKNA14” or any successor page(s) thereto.

<b>Currency</b>	<b>PAI Rate</b>
HKD	The rate used shall be the “HONIX” rate, the rate published by the Hong Kong Brokers Association – as such rate appears on Reuters page “HONIX” or any successor page(s) thereto.
NZD	The rate used shall be the “NZIONA” rate, the rate published by the Reserve bank of New Zealand – as such rate appears on Reuters page “RBNZ02” or any successor page(s) thereto.
PLN	The rate used shall be the “POLONIA” rate, the rate published by the National Bank of Poland – as such rate appears on Reuters page “NBPS” or any successor page(s) thereto.
SEK	The rate used shall be the “SIOR” rate, the rate published by the OMX Exchange – as such rate appears on Reuters page “SIOR” or any successor page(s) thereto.
ZAR	The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR – as such rate appears on Reuters page “SFXROD” or any successor page(s) thereto.
CZK	The rate used shall be the “CZEONIA” rate, the rate published by the Czech National Bank – as such rate appears on Reuters page “CZEONIA” or any successor page(s) thereto.
HUF	The rate used shall be the “HUFONIA” rate, the rate published by the National Bank of Hungary – as such rate appears on Reuters page “HUFONIA” or any successor page(s) thereto.
SGD	The rate used shall be the “SONAR” rate, the rate published by the Association of Banks in Singapore – as such rate appears on Reuters page “ABSIRFIX01” or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank – as such rate appears on Reuters page “NOINTR=ECI” or any successor page(s) thereto.

For currency NOK, PAI is calculated using an appropriate overnight deposit rate for the currency.

### 3.5.3 Interest/Accommodation Structure

Application of Collateral	Type of Collateral					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay relevant rate	pay relevant rate of Collateral currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay relevant rate	Pay relevant rate	No charge or payment

**Note:**

1. ~~“Foreign Cash” means cash in a currency other than that of the liability.~~
2. ~~“Forward Cash” means cash which has been credited to an account for later value (e.g., an amount called via PPS for next-day value).~~
3. ~~This Section 3.5.3 only applies to Proprietary Accounts of FCM Clearing Members.~~

**Note:**

1. “Foreign Cash” means cash in a currency other than that of the liability.
2. “Forward Cash” means cash which has been credited to an account for later value (e.g., an amount called via PPS for next-day value).
3. This Section 3.5.3 only applies to Proprietary Accounts of FCM Clearing Members.

### 3.5.4 Payment of Interest and Charges

Interest and accommodation charges are charged monthly, from the last day of the previous month to the penultimate day of the current month. Interest and accommodation charges (other than PAI) are calculated on a daily basis and the resulting monthly total is posted to FCM Clearing Members<sup>21</sup> cover accounts at for value on the beginning of the third business day following calendar the penultimate day of the month. A VAT invoice is also issued monthly on the third business day of each month detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency which can be found on the Member Reporting Website.

VAT is charged where relevant, dependent on contract, ~~on and~~ and accommodation charges ~~and Collateral utilization fees,~~ at current rates. ~~On~~ foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling Collateral account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant Collateral account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

(a)        interest due to be credited or debited; and

(b)        accommodation charges;

VAT on accommodation charges is subject to the standard rate, some markets may be excluded.

### 3.6 Fees

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be furnished with respect to a Proprietary Account to which Margin is attributed.

The invoice/credit note displays the type of fee, contract, future or options type, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total Collateral in the relevant account.

Monthly postings are processed via the relevant account to which Collateral is posted at the beginning of the following month, on the third working day. - Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant Exchange.

### 3.7 Default Fund; SwapClear Contributions

SwapClear Contributions (as defined in the Default ~~Fund~~ Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the SwapClear Contribution under Rule S2(k) of the Default ~~Fund~~ Rules (each, a “**SwapClear Reset Day**”). SwapClear Contribution requirements will be notified to the applicable FCM Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.

Excess SwapClear Contribution amounts due to FCM Clearing Members following the adjustment to the SwapClear Contribution will be repaid to FCM Clearing Members<sup>21</sup> PPS accounts on the SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to FCM Clearing Members<sup>21</sup> PPS accounts on the first working day after the SwapClear Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day. Notwithstanding anything else herein, if the rate of interest payable on SwapClear Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

### 3.8 Quantifying SwapClear Contributions

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for Initial

Margin applied to an FCM Clearing Member shall be determined by reference to the FCM SwapClear Contracts comprising the SwapClear House Business of that FCM Clearing Member only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, with effect from 28 September ~~28~~, 2012, the average daily requirement for Initial Margin applied to an FCM Clearing Member for the purposes of such calculation shall be determined by reference to the FCM SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Clearing Client Business of that FCM Clearing Member.

### 3.9 **Default Fund; ForexClear Contributions**

ForexClear Contributions (as defined in the Default ~~Fund~~ Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the ForexClear Contribution under Rule F2(a) of the Default ~~Fund~~ Rules (each a “**ForexClear Reset Day**”). ForexClear Contribution requirements will be notified to ForexClear Clearing Members at least two working days prior to each ForexClear Reset Day on Member Intranet Report 000032.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members<sup>21</sup> PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members<sup>21</sup> PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

### 3.10 **Quantifying ForexClear Contributions**

For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for Initial Margin applied to an FX FCM shall be determined by reference to the ForexClear Contracts comprising the ForexClear House and Client Business of that FX FCM only.

### 3.11 **Default Fund Contributions and Loss Distribution Charges: FCM EnClear Clearing Service and FCM Nodal Clearing Service**

For the FCM EnClear Clearing Service and FCM Nodal Clearing Service, Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the Contribution under the Commodities Default Fund Supplement (each a “**Reset Day**”). Contribution requirements will be notified to FCM Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named “Member Default Fund<sup>22</sup>” (REP000032).

FCM Clearing Members will be repaid via PPS any excess Contribution amounts on the Reset Day immediately following the determination of the Contribution.

The Clearing House will, from time to time, notify FCM Clearing Members of the rate of interest that will apply to a Contribution. Interest on Contributions will be paid to FCM Clearing Members' PPS accounts on the first working day after the Reset Day following the end of the relevant "interest accrual period". Interest is calculated in respect of each "interest accrual period", which commences on (and includes) a Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on Contributions is negative, interest shall be payable by FCM Clearing Members to the Clearing House.

Loss Distribution Charges called under Rule C8 of the Commodities Default Fund Supplement shall be called via PPS in the same currency as ~~aan~~ FCM Clearing Member's Contribution.

**APPENDIX 3A****~~BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM~~****3.12 Clearing House Reporting**

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to one or more data or trade repository or similar body (including a swap data repository) the details of an FCM Contract and any modification or termination of such FCM Contract without duplication and no later than the working day following the conclusion, modification or termination of such FCM Contract, in line with the requirements of applicable law. 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.



**SCHEDULE 3A**  
**BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM**

Bank of America, N.A.

Barclays Bank Plc

JP Morgan Chase Bank

Citibank NA

Deutsche Bank AG

HSBC Bank Plc

Lloyds TSB Bank Plc

National Westminster Bank Plc

The Royal Bank of Scotland plc

Skandinaviska Enskilda Banken AB

For more information on PPS **B**anks please contact the Clearing House's Treasury Operations.

**APPENDIX 3B**

**~~BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM~~**

**SCHEDULE 3B**  
**BANK PARTICIPANTS IN THE LONDON PROTECTED PAYMENTS SYSTEM**

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

~~**LCH.CLEARNET LIMITED**~~

~~I/We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.~~

~~In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.~~

~~**HOUSE ACCOUNT**~~

~~**CLIENT ACCOUNT**~~

<del>TICK ✓</del>	<del>CURRENCY</del>	<del>ACCOUNT NUMBER</del>
-------------------	---------------------	---------------------------

<del>TICK ✓</del>	<del>CURRENCY</del>	<del>ACCOUNT NUMBER</del>
-------------------	---------------------	---------------------------

~~**LCH.CLEARNET LIMITED**~~

~~I/We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.~~

~~In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.~~

~~**HOUSE ACCOUNT**~~

~~**CLIENT ACCOUNT**~~

<del>TICK ✓</del>	<del>CURRENCY</del>	<del>ACCOUNT NUMBER</del>
	AUD	
	CAD	
	CHF	
	CZK	

<del>TICK ✓</del>	<del>CURRENCY</del>	<del>ACCOUNT NUMBER</del>
	AUD	
	CAD	
	CHF	
	CZK	

<u>HOUSE ACCOUNT</u>			<u>CLIENT ACCOUNT</u>		
<u>TICK ✓</u>	<u>CURRENCY</u>	<u>ACCOUNT NUMBER</u>	<u>TICK ✓</u>	<u>CURRENCY</u>	<u>ACCOUNT NUMBER</u>
	DKK			DKK	
	EUR			EUR	
	GBP			GBP	
	HKD			HKD	
	HUF			HUF	
	ISK			ISK	
	JPY			JPY	
	NOK			NOK	
	NZD			NZD	
	PLN			PLN	
	SEK			SEK	
	USD			USD	
	ZAR			ZAR	

For and on behalf of:

Name of  
FCM  
Clearing  
Member:

.....

Signature of  
Director:

.....

Print Name:

.....

Date

.....

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA. ~~Email: lchoperations-treasury@lchclearnet.com~~ Email: lchoperations-treasury@lchclearnet.com Telephone: 020 7426 7505 Fax: 020 7426 7037.

|

**~~APPENDIX 3C~~**

**~~BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM~~**

**SCHEDULE 3C**  
**BANK PARTICIPANTS IN THE US PROTECTED PAYMENTS SYSTEM**

(In New York unless stated otherwise)

Bank of America, N.A.

J P Morgan Chase (New York or London)

Citibank NA

HSBC Bank USA

The Bank of New York

Harris Trust and Savings Bank (Chicago)

For more information on US PPS **B**anks please contact the Clearing House's Treasury Operations at +44 (0)20 7426 7505.

**APPENDIX 3D**

**MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS**



**SCHEDULE 3D**  
**MANDATE FOR LCH.CLEARNET LIMITED: CLEARING OPERATIONS**

Name of Relationship Manager:	
Contact Details (telephone & email):	
Name of Bank:	
Address:	
LCH.Clearnet Limited MNEMONIC(S):	

**LCH.CLEARNET LIMITED**

I/We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.

In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.

**HOUSE ACCOUNT**

**CLIENT ACCOUNT**

**LCH.CLEARNET LIMITED**

~~I/We authorize you, until further notice in writing, to debit my/our account(s) with unspecified amounts from time to time at the instance of LCH.Clearnet Limited without further reference to me/us.~~

~~In acting on this Mandate, you may rely, without qualification, upon the information provided to you by LCH.Clearnet Limited in whatsoever form this information is submitted to you.~~

**HOUSE ACCOUNT**

**CLIENT ACCOUNT**

ACCOUNT	CURRENC
CURRENCY NUMBER	Y ACCOUNT NUMBER
USD	USD

The above information is correct and LCH.Clearnet Limited will rely on this information in making debit and credit transactions for the identified accounts and will have no liability to the extent of such reliance.

For and on behalf of:

Name of  
FCM  
Clearing  
Member:

.....

Signature of  
Director:

.....

Print Name:

.....

Date

.....

**Notes:**

~~A separate Mandate must be completed and delivered to LCH.Clearnet Limited for each different PPS bank.~~

~~Twenty days' notice must be given to LCH.Clearnet Limited in writing in respect of any change of bank account name or bank account number and a fresh Mandate provided.~~

~~When completed and signed, this form should be sent to your Relationship Manager at the above mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: lchoperations-treasury@lchclearnet.com; Telephone: 020 7426 7505; Fax: 020 7426 7037.~~

**COLLATERAL**

**COLLATERAL**

**Notes:**

A separate Mandate must be completed and delivered to LCH.Clearnet Limited for each different PPS bank.

Twenty days' notice must be given to LCH.Clearnet Limited in writing in respect of any change of bank account name or bank account number and a fresh Mandate provided.

When completed and signed, this form should be sent to your Relationship Manager at the above-mentioned Bank and a copy issued to: Treasury Operations, LCH.Clearnet Limited, 3<sup>rd</sup> Floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA; E-mail: lchoperations-treasury@lchclearnet.com; Telephone: 020 7426 7505; Fax: 020 7426 7037.

## 4. COLLATERAL

### 4.1 General Information

#### 4.1.1 Non-Cash Collateral

FCM Clearing Members wishing to lodge securities (of the type permitted by the Clearing House) with the Clearing House as Collateral may do so. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (in respect of Collateral furnished on behalf of FCM Clients, the Clearing House shall hold such securities in the applicable LCH Client Segregated Depository Account).

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a house account (see FCM Regulation ~~4~~-14(j) (*Margin and Collateral*)).

~~FCM Clearing Members are warned that the taking of Collateral is a complex legal matter. These FCM Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. An FCM Clearing Member who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.~~

### GENERAL INFORMATION

FCM Clearing Members are warned that the taking of Collateral is a complex legal matter. These FCM Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. An FCM Clearing Member who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.

#### 4.1.2 General Information

LCH.Cleernet Security Arrangements

FCM Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the FCM Clearing Membership Agreement and the FCM Regulations.

Collateral pledged in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on a House account (see FCM Regulation ~~4~~-14(j) (*Margin and Collateral*)).

Unless stated otherwise in the FCM Rulebook, Collateral pledged in respect of an FCM Clearing Member's House account may be applied by the FCM Clearing House towards the payment of any sum whatsoever due by the FCM Clearing Member to the Clearing House; **provided, that** no Collateral furnished in respect of an FCM Clearing Member's Client accounts shall be

applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on any of the FCM Clearing Member's House accounts.

As set out in FCM Regulation 914(c) (*Margin and Collateral*), where an FCM Clearing Member wishes to furnish Collateral on behalf of an FCM Client to the Clearing House, the FCM Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the FCM Client that the FCM Clearing Member may pledge the Collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's interest to secure the FCM Clearing Member's obligations to the Clearing House. The Clearing House gives no undertaking that, on the default of an FCM Clearing Member, it will not utilize Collateral furnished on behalf of an FCM Client which has been passed to it by an FCM Clearing Member, before utilizing any other form of Collateral the Clearing House may hold.

#### 4.1.3 *Additional General Information*

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as Collateral and to determine when a security will cease to be acceptable as Collateral.

If any instrument or security, lodged in accordance with any of the following procedures, is in any way found to be unacceptable, it will immediately be given a zero value in the FCM Clearing Member's cover account with the Clearing House. Replacement Collateral may be required immediately from the FCM Clearing Member.

#### 4.1.4 *Instructions*

The Clearing House accepts instructions to lodge, release and transfer cash and securities via the online Collateral Management System ("CMS") and the triparty arrangements described in ~~FCM regulation 4.8~~ Section 4.5 (Triparty Service with Euroclear, Clearstream and BNY Mellon) of these FCM Procedures. Instructions for other types of Collateral must be sent via fax using the appropriate form in the annex. The lodgement/release forms must be sent in by fax and email to:

- (a) Email to: [\[teamcollateral@lchclearnet.com\]](mailto:teamcollateral@lchclearnet.com)  
[\[collateral.ops.uk@lchclearnet.com\]](mailto:collateral.ops.uk@lchclearnet.com)
- (b) Fax: + 44 (0)20 7375 3518
- (c) Treasury Operations can be contacted on +44 (0)207 426 7593

Originals of faxed instructions need to be sent into the Clearing House within fourteen days for contingency purposes.

The Clearing House is entitled to act upon ~~Collateral Management system~~ CMS instructions and faxed instructions or communications appearing to have been issued ~~by~~, on behalf of, or to have come from, an FCM Clearing

Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (i) to be inaccurate, whether in whole or in part; or
- (ii) not to have been given by the FCM Clearing Member or an FCM Client or with the authority of the Clearing Member or FCM Client.

The Clearing House will only accept delivery of securities in accordance with these FCM Procedures, and will not sell, purchase or encash securities for FCM Clearing Members, except in so far as it is acting under its Default Rules and related provisions of the FCM Rulebook or in relation to Exchange Rules.

The Clearing House reserves the right to require an FCM Clearing Member to execute revised versions of the Form of Charge and Client Consent documentation whenever the Clearing House, at its sole discretion, considers that it would be appropriate.

The Clearing House reserves the right to change the information required on instructions received via the ~~Collateral Management system~~ CMS, whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

#### 4.1.5 ***Excess Margin Maintained in Proprietary Accounts***

In accordance with FCM Regulation ~~9~~ 14(v) (*Margin and Collateral*), FCM Clearing Members are permitted to maintain Excess Margin in their Proprietary Accounts (regardless of whether any such FCM Clearing Member has elected to have one or more of its FCM Omnibus Swaps Client Accounts with LCH subject to the With Excess Client Model), but subject to the right of the Clearing House, in its sole discretion, to return such Excess Margin to the FCM Clearing Member. Alternatively, the Clearing House may notify that FCM Clearing Member of the intention to levy a charge in respect of Excess Margin with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove Excess Margin before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point per day until Excess Margin is removed by the FCM Clearing Member through use of a release instruction. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's PPS sterling account. This charge applies only to Margin lodged with respect to FCM Contracts registered to the FCM Clearing Member's Proprietary Account.

The Clearing House shall have absolute discretion to decide whether and to what extent it is holding Excess Margin at any time.

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Omnibus Futures Client Accounts with LCh is governed by the provisions of the FCM Rulebook, including FCM Regulation 14(u)(ii) (*Margin and Collateral*).

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Client Sub-Accounts is governed by the provisions of the FCM Rulebook, including FCM Regulation 15 (Margining of Swap Product Client Accounts).

#### 4.1.6 ***Return and Provision of Cash Excess Margin***

Requests for the return of USD cash Excess Margin must be received by the Clearing House before 09:30 hours. Requests received after 09:30 hours will be rejected.

The Clearing House will not accept deposits of USD cash Collateral as Excess Margin after 14:00 hours.

~~The ability **Lodgment** of FCM Clearing Members to maintain Excess Margin in its FCM Client Sub-Accounts is governed by the provisions of the FCM Rulebook, including FCM Regulation 9A.~~

#### 4.1.7 ***Lodgement of Non-Cash Collateral as Replacement for Cash Collateral Cover for Margin***

This Section ~~4.1.70~~ applies only to Proprietary Accounts of FCM Clearing Members. FCM Clearing Members should note that they must give Treasury Operations no less than two (2) Business Days' notice of their intention to lodge Collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash to a similar value is repayable by the Clearing House to that FCM Clearing Member as a result of such lodgment. In the event that an FCM Clearing Member seeks to withdraw such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice— or vary the minimum Collateral value by written notice to FCM Clearing Members.

#### 4.1.8 ***Force Majeure***

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to FCM Clearing Members with regard to instruments or securities accepted as Collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as but not limited to the failure whether partial or total, interruption or suspension of any depository or custodian or other service (“**depository**”) that the Clearing House is using, the termination or suspension of the Clearing House<sup>21</sup>'s membership or use of the depository or any variation of the depository<sup>21</sup>'s operational timetable, whether or not occasioned by action of the depository operator or any other party<sup>21</sup>; or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository<sup>21</sup>; or any other emergency. This provision is without prejudice to the force majeure provisions of FCM Clearing Members<sup>21</sup> agreements with the Clearing House.

#### 4.1.9 **Regulatory and Supervisory Information**

In every case, the Clearing House will be entitled to supply a securities depository with all the information it requires for any purposes relating to an FCM Clearing Member, or to securities received by the Clearing House from an FCM Clearing Member which are or may at any time have been held by the depository. Securities will be lodged and held within such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems and to any applicable law and subordinate rules relating thereto as well as to the terms of the FCM Rulebook and these FCM Procedures.

#### 4.1.10 **Interest Payments**

The Clearing House will remit interest amounts, taking into account any withheld tax, to FCM Clearing Members<sup>21</sup> PPS banks on the appropriate value date, except where such FCM Clearing Member is a Defaulter. These are processed using “Tender” sub-accounts designated “I” for house or “L” for segregated client.

### 4.2 **Securities**

#### 4.2.1 **General Information**

Securities must be lodged in the Clearing House<sup>21</sup>s relevant Custodian accounts (see Appendix 4D;Schedule 4D).

#### 4.2.2 **Settlement procedures – Securities**

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

### 4.3 **Instructions via the ~~Collateral Management System~~CMS**

The Clearing House will action instructions input and authorized via the ~~Collateral Management system~~CMS. The details input on the ~~Collateral Management system~~CMS will form the basis of the matching instruction sent to the relevant CSD/custodian. FCM Clearing Members must ensure that the details are input correctly in order to avoid ~~unmatched transactions~~

It is the responsibility of the FCM Clearing Member to input a cancellation request of any incorrectly input instruction and ~~thento~~ subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction<sup>7</sup>; (please seerefer to Section 6.84.4.7 below for further details-).

The Clearing House will update the status of the instruction in the ~~Collateral Management system~~CMS in relation to the status of the instruction at the CSD/~~C~~custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the FCM Clearing Member's account and provide value for the purposes of Margin.

The Clearing House will notify FCM Clearing Members of the relevant account details for matching. FCM Clearing Members should refer to ~~Appendix 4D~~Schedule 4D to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses ~~of to~~ FCM Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a CSD/custodian or the FCM Clearing Member (save for any liability which ~~by law~~ may not be excluded) ~~- by law~~.

#### 4.4 Settlement Procedures – Securities

All transactions to transfer securities collateral to or from the Clearing House will be executed free of payment.

##### 4.3.14.4.1 Instruction ~~d~~Deadlines

FCM Clearing Members may input security instructions via the ~~Collateral Management system~~CMS at any time. Instructions will only be auctioned by the Clearing House during ~~operational~~ hours.

The Collateral Team operational hours are: Monday —to Friday, 08:00 to 20:00hrs UK time.

Instruction deadlines for same day settlement:

<u>CSD/custodian</u>	<u>Deadline for instructions (UK Time)</u>
Euroclear UK/IE (CREST)	14:00
Euroclear internal	17:00
Citi and <del>B</del> <u>BNY Mellon</u>	19:00

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

##### 4.3.24.4.2 Deliveries to and from ~~local markets~~Local Markets

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian. FCM Clearing Members should refer to the relevant CSD/custodian for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (*i.e.* on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.



For example:

<del>Deliveries from local market</del> <u>Local Market</u>	<del>Custodian</del> <u>Deadline</u> (UK time)	<del>Instruction</del> <u>Deadline to</u> Clearing House (UK time)
Japan	05:55	17:00 on S-1
Belgium	14:50	13:50 on S
Italy	15:00	14:00 on S

#### 4.3.3 4.4.3 Lodging securities

Lodge instructions must be input via the ~~Collateral Management system~~ CMS prior to the deadlines above for same day settlement. Settled transactions will be added to FCM Clearing Member's cover balances following settlement.

Lodge instructions for future settlement dates will be instructed same day if received prior to the deadlines. Instructions received after the deadlines will be instructed the following day.

#### 4.3.4 4.4.4 Releasing securities

##### (a) Release where sufficient Sufficient Cover is Available

Instructions to release existing securities cover ~~is available~~

~~Release instructions~~ input via the ~~Collateral Management system~~ CMS prior to the deadlines above for same day settlement will be carried out and the securities removed from the FCM Clearing Member's cover balance on instruction—confirmation of those instructions by the Clearing House.

##### (b) Release where sufficient Sufficient Cover is Unavailable

Instructions to release existing securities cover ~~is unavailable~~

~~Release instructions~~ must be input via the ~~Collateral Management system~~ CMS [before 09:30 UK time]. The FCM Clearing Member will then be called for additional cash ~~€~~ collateral. Following confirmation of the cash call the settlement instruction will be sent to the CSD/custodian and by the Clearing House and the securities removed from the FCM Clearing Member's cover balance.

#### 4.3.5 4.4.5 Substitutions

~~Substitutions~~ Substitution instructions may be input via the ~~Collateral Management system~~ CMS and will, subject to confirmation of those instructions by the Clearing House, be carried out on the same day if input prior to the deadlines above.

FCM Clearing Member's must first input the relevant lodge instruction(s) ~~first~~ and then link the associated release instruction(s) to the lodge instruction(s).

#### ~~4.3.6~~4.4.6 Transfers

Transfer instructions may be input via the ~~Collateral Management system~~CMS and will be ~~auctioned~~carried out same day during operational hours.

Note: transfers are only permitted between mnemonics of the same FCM Clearing Member and are subject to client segregation rules.

#### ~~4.3.7~~4.4.7 Settlement eCancellations

FCM Clearing Members may request the cancellation of an instruction via the ~~Collateral Management system~~CMS. The Clearing House will cancel any instruction that has not yet been ~~processed~~. The Clearing House will make seek, using its best endeavour efforts, to cancel any settlement instructions already sent to the CSD/custodian but cannot guarantee that the transaction will not settle.

#### ~~4.3.8~~4.4.8 Instruction sStatuses

The status of an instruction can be monitored via the ~~Collateral Management system~~CMS. Statuses reflect the status of the instruction at the Clearing House and not at the CSD/custodian. Please refer to the ~~Collateral Management system~~CMS User Guide for status definitions.

### 4.4.5 **Triparty Service with Euroclear, Clearstream and BNY Mellon**

#### ~~4.4.1~~4.4.5.1 General Information

In order to transfer securities at the Clearing House using a Triparty arrangement, FCM Clearing Members, the relevant triparty agent and the Clearing House must have completed and signed the relevant documentation. Please contact Treasury Operations on +44 (0)207 426 7237 for more information.

Under a triparty arrangement~~–~~, the amount which an FCM Clearing Member may commit to deliver eligible securities for (to cover initial margin requirements at the Clearing House) may be denominated in Euro, Sterling or ~~United States~~US Dollars. Triparty instructions should be provided to the Clearing House via the Collateral Management System. In the event that FCM Clearing Members are unable to make triparty instructions via the Collateral Management~~s~~ System, it will be possible to use the relevant triparty contingency forms found in the appendices to this section.

All securities furnished by an FCM Clearing Member to the Clearing House pursuant to a triparty arrangement must be the sole legal and beneficial property of the FCM Clearing Member or furnished for the purposes of these~~se~~ FCM ~~Regulations~~ with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to re-pledge such property to the Clearing House.

Instructions to Euroclear Bank and Clearstream may be input for future settlement dates. Instructions to BNY Mellon must be for same day settlement.

FCM Clearing Members may only use BNY Mellon as triparty agent for FCM Client business. The Clearing House supports triparty arrangements at BNY Mellon using their US domestic platform and only for US eligible securities.

Each initial delivery of securities to the Clearing House pursuant to a triparty arrangement must be for value of at least one million GBP, EUR or USD.

Note: In these procedures, “S” refers to the settlement day, “S-1” to the working day before settlement day.

### ***Lodgement and Increase Procedure***

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	16.30	16.30	22.30
Next day settlement	16.30 (S-1)	16.30 (S-1)	N/A

### ***Decrease and Closing Procedure***

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	16.30	16.30	22.30
Next day settlement	16.30 (S-1)	16.30 (S-1)	N/A

The FCM Clearing Member may request that the Clearing House release some or all securities under a triparty arrangement back to the FCM ~~Clearing Member~~ Clearing Member, provided that the Clearing House is satisfied that ~~is it~~ otherwise has sufficient collateral from the FCM Clearing Member to maintain its required ~~Current Collateral Value~~ Margin. Such release may be processed as described as below depending on whether the FCM Clearing Member has sufficient collateral, and will be taken into account in determining the FCM Clearing Member’s ~~Current Collateral Value~~ Margin thereafter.

### ***Sufficient Collateral:***

Where the Clearing House determines that the FCM Clearing Member has sufficient collateral available, the Clearing House will issue instructions on the same day under the triparty arrangement to release the relevant securities back to the FCM Clearing Member.

### ***Insufficient Collateral:***

Where the FCM Clearing Member has insufficient Collateral to release the triparty transaction, the Clearing Member's Current Collateral Value Margin will be deemed to be decreased overnight. The following morning the Clearing House will only release the triparty transaction after 09.00 when any PPS cash calls have been confirmed.

### ***Triparty deficits***

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities furnished or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation to shortfalls will be called in accordance with section 3.2 Section 3.2 of these procedures FCM Procedures and held in a separate account. Such cash shall either be credited to the FCM Clearing Member upon the FCM Clearing Member making good the deficit pursuant to the triparty arrangement or retained as cover if the FCM Clearing Member does not make good the deficit.

## **4.5.4.6 Withholding Taxes**

### **4.5.4.6.1 US Withholding Taxes**

~~US income tax laws impose a withholding tax on payments of US source interest, including original issue discount, to a foreign person unless an exemption or reduced rate applies. Interest is US source income, if the debtor is a US corporation. Interest on debt obligations issued after July 18 1984 is generally exempt from US withholding tax. In addition, a foreign person who is a resident of a country with which the US has an income tax treaty may be entitled to a reduced withholding tax rate or an exemption from the US withholding tax.~~

For tax reasons, the Clearing House is required to segregate foreign (i.e., non-US) owners' securities from US owners' securities. FCM Clearing Members must deliver securities to the correct account. The Clearing House operates accounts with Citibank N.A. and Bank of New York Mellon.

In order to reduce or to eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, FCM Clearing Members will be expected to provide one of the forms ~~(noted below)~~ to the Clearing House. A current form will be required for each FCM Clearing Member.

The relevant forms will normally be one of:

(a) ~~“W-9 (Request for Taxpayer Identification Number and Certification)”~~ ~~“Applies”~~, which applies to a US corporation including a foreign branch of a US corporation and is valid indefinitely;  
or

~~“W-8BEN (Certificate of Foreign Status)”~~

(b) ~~“Applies”~~, which applies to non-resident alien individuals, foreign corporations, partnerships and estates and is valid for three calendar years.

FCM Clearing Members may obtain originals of forms W-8BEN and W-9 from Treasury Operations.

**Note:** The Clearing House's arrangements with ~~the Custodians~~ sits custodians only allow for securities holdings of US corporations or foreign (i.e., non-US) entities or individuals. FCM Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.

Unless the Clearing House has already received the appropriate tax form, lodgments into A/c numbers 735136, 735138, 206203 and 090401 must be accompanied by form W-9.

Unless the Clearing House has already received the appropriate tax form, lodgments into A/c numbers 735137, 735139, 207887 and 090372 must be accompanied by form W-8.

~~The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.~~

The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.

Completed tax forms should be returned to Treasury Operations for onward transmission to the Custodians.

Custodians offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by the Custodian.

In certain cases the Custodian/the Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either the custodian/the Clearing House at the time when a coupon is due.

#### 4.5.24.6.2 Italian Securities

~~The accounts are~~ For tax purposes the Clearing House operates an account with Euroclear Bank specifically for deliveries of Italian securities – account 91737.

~~This account is~~ operated by the Clearing House in accordance with ~~the~~ “Custodians “Euroclear Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities”.

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

- (a) ~~(a)~~ — resident in a country that has entered into a double taxation agreement with Italy (except ~~Bb~~ black list countries/countries that do not have a tax treaty with Italy); or
- (b) ~~(b)~~ — a corporation resident in Italy; or
- (c) ~~(c)~~ — a supranational organization recognized by Italian Law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to ~~the~~ exemption, and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from the Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within ~~our accounts~~ the gross account 91737.

The effective date depends on the type and terms of the security:

Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

Clearing Members should consult their own tax advisers before lodging Collateral with the Clearing House or submitting any tax documentation.

#### 4.5.34.6.3 Withholding tax — CSDs/Custodians

CSDs/~~C~~ustodians may offer a recovery service for overseas taxes on ~~Government Bonds~~ government bonds. The Clearing House will assist in the recovery process and remit to FCM -Clearing Members any relevant recovery in withholding tax credited to the Clearing House's account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSD/Custodian and the Clearing House at the time when a coupon is due.]

#### 4.64.7 References

These procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer ~~theto~~ each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

#### 4.74.8 Contingency ~~a~~Arrangements

In the event of an outage of the ~~Collateral Management system~~CMS FCM Clearing Members will be able to lodge and release securities by faxed instruction to the Clearing House.

FCM Clearing Member will be notified of a ~~Collateral Management system~~CMS outage via a Member Circular that will notify FCM Clearing Members of the switch to contingency arrangements. The FCM Clearing Members should then revert to the fax forms for securities found in the appendices to this Section 4.4.

Normal service hours and deadlines will apply to faxed instructions.

FCM Clearing Members will be notified via Member Circular when normal service resumes.

#### 4.84.9 Return of Unallocated Excess and FCM Buffer

Upon the request of an FCM Clearing Member, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or FCM Buffer (as requested) to such FCM Clearing Member; **provided, that** (i) FCM Clearing Members are not entitled to request the return of Encumbered FCM Buffer, and (ii) the Clearing House shall not be required to return FCM Buffer if the FCM Clearing Member is a defaulter. The FCM Clearing Member's request must contain the specific details of the amount of funds requested and whether such FCM Clearing Member is requesting the return of FCM Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any FCM Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

FCM Regulation ~~9A~~ 15 (Margining of Swap Product Client Accounts) contains additional provisions relating to FCM Buffer, Encumbered FCM Buffer and Unallocated Excess.

#### 4.94.10 Collateral Value Reports

In accordance with FCM Regulation ~~9A~~ (d) 15(d) (Margining of Swap Product Client Accounts), an FCM Clearing Member that has elected to adopt the LSOC With Excess Model is required to provide the Clearing House with an eligible CVR (Collateral Value Report as defined in the FCM Regulations) at least once per Business Day.



**4.9.14.10.1 Contents of the Collateral Value Report**

The CVR should contain details of the following:

**(i)(a) FCM Client Sub-Account Balance:** -The value of Margin delivered for and on behalf of each FCM Client and its respective FCM Client Sub-Account.

**(ii)(b) FCM Buffer:** - The value of FCM Buffer lodged in the FCM Buffer Sub-Account.

All values provided in a CVR must be the post haircut value in USD (or such other currency as agreed in writing by the Clearing House).

Where the CVR does not contain information for all of the FCM Clients of an FCM Clearing Member, the Clearing House will assume that the FCM Client Sub-Account Balance for those FCM Clients that are not included have not changed from that which is reflected in its books and records (either through delivery of a previous CVR or as a result of an Assumed Allocation).

Unallocated Excess may be allocated to an FCM Client Sub-Account or to an FCM Buffer Sub-Account through the submission of a CVR. Any Margin that is furnished to the Clearing House but which is not allocated in a CVR will be treated as Unallocated Excess.

**4.9.24.10.2 Eligibility of the Collateral Value Report**

The CVR constitutes a notification to the Clearing House of the allocation of Margin that has been furnished by an FCM Clearing Member to one of its FCM Omnibus -Swaps Client Accounts with LCH. Therefore, a CVR will be considered ineligible where the CVR details the aggregate value of the Margin lodged in each applicable FCM Client Sub-Account to exceed the total Margin currently available in respect of such FCM Omnibus Swaps Client Account with LCH.

Following determination of the value of Margin allocated to each FCM Client Sub-Account, the Clearing House will then assess whether the amount of FCM Buffer detailed in the CVR is correct based on the residual amount of Margin that it has received. In the event that the amount of FCM Buffer detailed in the CVR is greater than the amount of Margin (not including all Margin which has been allocated to the relevant FCM Client Sub-Account Balances, as set out in the CVR) delivered to that FCM Clearing Member's FCM Omnibus Swaps Client Account with LCH, the Clearing House will not reject the CVR but will reduce, in its books and records, the value of FCM Buffer held for that FCM Clearing Member. -In such a case, the Clearing House will thereafter notify the FCM Clearing Member that such a modification to the balance of the FCM Buffer Sub-Account has been applied.

Any CVR that would generate, or is submitted in order to avoid, a margin call will be ineligible and will be rejected by the Clearing House. Where a CVR details **an** FCM Client Sub-Account Balance which is lower than the amount of Required Margin applicable to such FCM Client Sub-Account, the Clearing House will assume that the shortfall is covered by FCM Buffer (provided that sufficient FCM Buffer is available to be so applied) and will modify the

applicable accounts appropriately. In such a case, the Clearing House will thereafter notify the FCM Clearing Member of the application of the relevant modifications.

CVRs will only be accepted by the Clearing House during the time when the relevant FCM Clearing Service is open. Any CVRs submitted when an FCM Clearing Service is closed will be rejected and will have to be re-submitted in order to be accepted by the Clearing House.

Ineligible CVRs will be rejected by the Clearing House. In the event that a CVR is deemed ineligible by the Clearing House, the Clearing House will notify the relevant FCM Clearing Member so that a replacement CVR can be delivered.

#### **4.9.34.10.3 Election of With Client Excess Model or Without Client Excess Model**

As described in FCM Regulation ~~9A, 15(c)~~ (*Margining of Swap Product Client Accounts*), the Without Client Excess Model is the default model that applies to each FCM Omnibus Swaps Client Account with LCH.

In the event that an FCM Clearing Member wishes to adopt the With Client Excess Model with respect to one or more of its FCM Omnibus Swaps Client Accounts with LCH, it must notify the Clearing House's Client Services ([swapclear.clientservices@lchclearnet.com](mailto:swapclear.clientservices@lchclearnet.com)), ([swapclear.clientservices@lchclearnet.com](mailto:swapclear.clientservices@lchclearnet.com)). Following receipt of such notification the Clearing House will notify the FCM Clearing Member that such election has been accepted and such acceptance shall become effective from the time that the FCM Clearing Member delivers an eligible CVR.

In the event that an FCM Clearing Member no longer wishes to operate under the With Client Excess Model it must provide the Clearing House with written notice of its intention to use the Without Client Excess Model. On the morning of the third Business Day following receipt of the FCM Clearing Member's notice, the Clearing House will transfer any Excess Margin in the FCM Clearing Member's FCM Client Sub-Accounts to the Unallocated Excess Sub-Account. ~~FCM Buffer~~ will remain in the FCM Buffer Sub-Account. Once all Excess Margin has been transferred to the Unallocated Excess Sub-Account, the Without Client Excess Model will be put into effect with respect to the relevant FCM Omnibus Swaps Client Account with LCH, and the FCM Clearing Member will no longer be able to post or maintain Excess Margin in the FCM Client Sub-Accounts therein.

**APPENDIX SCHEDULE 4A**

**FCM CLIENT ACCOUNT LODGMENT FORM**



**CONTINGENCY FCM - CLIENT  
LODGMENT FORM**

Version 1: December 2011

To: LCH.Clearnet Limited (“the Clearing House”)

LCH.Clearnet Limited Ref No: \_\_\_\_\_

From: Clearing Member (full name): \_\_\_\_\_

Client Account \_\_\_\_\_ Mnemonic: \_\_\_\_\_

We hereby transfer the securities described below to the Clearing House under the terms of FCM Regulations 914(l) and 914(m) (*Margin and Collateral*) of the FCM Regulations.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator. We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: Depository/Agent \_\_\_\_\_

US Securities, Broker Code \_\_\_\_\_

Account Holder: \_\_\_\_\_

Account Number: \_\_\_\_\_

Beneficial Owner Italian Tax ID: \_\_\_\_\_

Delivery to: \_\_\_\_\_

BONY (US Owners)	BONY (Non-US Owners)	BONY (Global)	Citibank (US Owners)	Citibank (Non-US Owners)	Citibank (Global)	Euroclear (EUR Securities)	Euroclear (Italian)
735138	735139	874067	206203	207887	T613085309	15211	25910

Signatories for and on behalf of The Clearing Member:

1. \_\_\_\_\_ (Signature) \_\_\_\_\_ (Print Name) \_\_\_\_\_ (Position) \_\_\_\_\_

2.	(Signature)	(Print Name)	(Position)
Date: _____			

**APPENDIX SCHEDULE 4B**

**CONTINGENCY FCM HOUSE ACCOUNT LODGMENT FORM**



**PROPRIETARY - COLLATERAL LODGMENT FORM**

Version 1: December 2011

To: LCH.Clearnet Limited (“the **Clearing House**”)

LCH.Clearnet Limited Ref No: \_\_\_\_\_

From: Clearing Member (full name): \_\_\_\_\_

In respect of Proprietary Business Mnemonic: \_\_\_\_\_

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent, where applicable, to the securities being held in the Euroclear clearance system subject to the fungibility regime organized by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: Depository/Agent \_\_\_\_\_

US Securities, Broker Code \_\_\_\_\_

Account Holder: \_\_\_\_\_

Account Number: \_\_\_\_\_

Beneficial Owner Italian Tax ID: \_\_\_\_\_

Delivery to: \_\_\_\_\_

BONY (US Owners)	BONY (Non- US Owners)	Citibank (US Owners)	Citibank (Non-US Owners)	Euroclear Bank (Global)	Euroclear Bank (Italian)	Euroclear UK & Ireland (CrestCo)
735136	735137	090401	090372	91205	91737	5165

Signatories for and on behalf of The Clearing Member: \_\_\_\_\_

1. (Signature) (Print Name) (Position) \_\_\_\_\_

2. \_\_\_\_\_  
(Signature) (Print Name) (Position) \_\_\_\_\_  
Date: \_\_\_\_\_



**APPENDIX**

**SCHEDULE 4C**

CONTINGENCY COLLATERAL RELEASE FORM



**COLLATERAL  
RELEASE  
FORM**  
Version  
1: June  
2011

To LCH.Clearnet Limited (“the **Clearing House**”)  
:

From Clearing Member (full name):  
:

**House/Client Account\***

Member  
: \_\_\_\_\_

**\* Please  
delete as  
appropriate**

We hereby request you to release the securities described below.

Security Code Number (e.g. -ISIN)	Deliv- er- y Da- te	Tr- ad- e Da- te	Amo- unt/N- omin- al Valu- e (Iss- ue - Cou- pon - Mat- urity)	Descr- iption of Secur- ity

The Clearing House Ref No: \_\_\_\_\_ (from  
lodgment  
form)

Delivery to: Depository/Agent \_\_\_\_\_

US Securities, Broker Code \_\_\_\_\_

Account Holder \_\_\_\_\_

Account Number \_\_\_\_\_

Signatories for and on behalf of \_\_\_\_\_ 1 \_\_\_\_\_

the Clearing Member:

( Position) (Pr int Na me )  
S i g n a t u r e )

2 ( Position) (Pr int Na me )  
S i g n a t u r e )

D a t e

To: THE ABOVE-NAMED CLEARING MEMBER

The release of the above-mentioned securities is agreed.

For and on behalf of  
LCH.Clearnet Limited:

D T  
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.....

(Authorized Signatory):

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Recognised as a Clearing House under the Financial Services and Markets Act 2000.

LCH.CLEARNET LIMITED COPY

**Appendix SCHEDULE 4D**

**SETTLEMENT ACCOUNTS**

	Margin Collateral-FCM Client							Margin Collateral-FCM House							
	Bank of New York			Citibank			Euroclear Bank		Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
	735138	735139	874067	206203	207887	TBC	15211	25910	735136	735137	090401	090372	91205	91737	5165
Australia			X			X							X		
Austria			X			X	X					X			
Belgium			X			X	X					X			
Canada			X			X						X			
Denmark			X			X						X			
EUR Agencies			X			X	X					X			
Finland			X			X	X					X			
France			X			X	X					X			
Germany			X			X	X					X			
Italy			X			X		X					X		
Japan			X			X						X			
Luxembourg			X			X	X					X			
Netherlands			X			X	X					X			
Norway			X			X						X			
Spain			X			X	X					X			
Sweden			X			X						X			
United Kingdom			X			X									X
United States	X	X		X	X				X	X	X	X			
US Agencies	X	X		X	X				X	X	X	X			

**APPENDIX 4E**


**Contingency Member Triparty Lodgement Form**

**SETTLEMENT ACCOUNTS – SWAP PRODUCTS**

	Margin Collateral-FCM Client							Margin Collateral-FCM House							
	Bank of New York			Citibank			Euroclear Bank		Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
	735138	735139	874067	206203	207887	TBC	15211	25910	735136	735137	090401	090372	91205	91737	5165
Australia			X			X							X		
Austria			X			X	X						X		
Belgium			X			X	X						X		
Canada			X			X							X		
Denmark			X			X							X		
EUR Agencies			X			X	X						X		
Finland			X			X	X						X		
France			X			X	X						X		
Germany			X			X	X						X		
Italy			X			X		X						X	
Japan			X			X							X		
Luxembourg			X			X	X						X		
Netherlands			X			X	X						X		
Norway			X			X							X		
Spain			X			X	X						X		
Sweden			X			X							X		
United Kingdom			X			X									X
United States	X	X		X	X				X	X	X	X			
US Agencies	X	X		X	X				X	X	X	X			

T

**SETTLEMENT ACCOUNTS – FUTURES PRODUCTS**

	<u>Bank of New York</u>			<u>Citibank</u>		
	<u>484341</u>	<u>484342</u>	<u>484343</u>	<u>212107</u>	<u>212108</u>	<u>613510247</u>
<u>Australia</u>	-	-	X	-	-	X
<u>Austria</u>	-	-	X	-	-	X
<u>Belgium</u>	-	-	X	-	-	X
<u>Canada</u>	-	-	X	-	-	X
<u>Denmark</u>	-	-	X	-	-	X
<u>EUR Agencies</u>	-	-	X	-	-	X
<u>Finland</u>	-	-	X	-	-	X
<u>France</u>	-	-	X	-	-	X
<u>Germany</u>	-	-	X	-	-	X
<u>Italy</u>	-	-	X	-	-	X
<u>Japan</u>	-	-	-	-	-	X
<u>Luxembourg</u>	-	-	X	-	-	X
<u>Netherlands</u>	-	-	X	-	-	X
<u>Norway</u>	-	-	X	-	-	X
<u>Spain</u>	-	-	X	-	-	X
<u>Sweden</u>	-	-	X	-	-	X
<u>United Kingdom</u>	-	-	X	-	-	X
<u>United States</u>	X	X	-	X	X	-
 <b>FCM HOUSE TRIPARTY LODGEMENT FORM</b> <b>BNY Mellon US domestic platform (GSCX)US Agencies</b>	X	X	-	X	X	-





**SCHEDULE 4E**  
**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



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**BNY Mellon US domestic platform (GSCX)**

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<p><u>Signatories for and on behalf of the Clearing Member:</u></p> <div style="float: right; text-align: right;"> <p><u>1</u></p> <p>( ( (</p> <p>S P P</p> <p>i r o</p> <p>g i s</p> <p>n n i</p> <p>a t t</p> <p>t i</p> <p>u N o</p> <p>r a n</p> <p>e m )</p> <p>) e</p> <p>)</p> <p><u>2</u></p> <p>( ( (</p> <p>S P P</p> <p>i r o</p> <p>g i s</p> <p>n n i</p> <p>a t t</p> <p>t i</p> <p>u N o</p> <p>r a n</p> <p>e m )</p> <p>) e</p> <p>)</p> <p><u>D</u></p> <p>a</p> <p>t</p> <p>e</p> </div>				

~~We are entitled to the entire beneficial interest in these securities.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.~~

~~We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

**SCHEDULE 4F  
CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**FCM HOUSE TRIPARTY  
AMENDMENT FORM**

**BNY Mellon US domestic platform (GSCX)**

Version 1: Mar  
2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): \_\_\_\_\_  
House Mnemonic: \_\_\_\_\_

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

<b>Execution Date</b>	<b><u>CMS Reference</u></b>	<b><u>Increase/ Decrease</u></b>	<b>Currency (<u>USD only</u>)</b>	<b><u>New Amount</u></b>	<b>Collateral Giver Account Number</b>	<b>Collateral Taker Account Number</b>

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4F**

**Contingency Member Triparty Amendment Form**



**~~FCM HOUSE TRIPARTY AMENDMENT FORM~~**

**~~BNY Mellon US domestic platform (GSCX)~~**

Version 1: Mar 2014

To LCH.Clearnet Limited (“the Clearing House”)

From Clearing Member (full name) \_\_\_\_\_

House Mnemonic \_\_\_\_\_

~~We are entitled to the entire beneficial interest in these securities.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.~~

~~We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

Execution Date	CMS Reference	Increase/ Decrease	Currency	New Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of the 1  
~~Clearing Member:~~  
 The Clearing Member

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Signature) (Print Name) (Position)

2

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Position  
)

Date: .....

**SCHEDULE 4G**

**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**FCM HOUSE TRIPARTY CLOSING FORM**



**~~FCM HOUSE TRIPARTY CLOSING FORM~~**  
 BNY Mellon US domestic platform (GSCX)

Version 1: Mar 2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): \_\_\_\_\_  
House Mnemonic: \_\_\_\_\_

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>
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Version 1: Mar 2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name) \_\_\_\_\_

House Mnemonic \_\_\_\_\_

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of the Clearing Member: 1

\_\_\_\_\_

(Signature) (Print Name) (Position)

2

\_\_\_\_\_

(Signature) (Print Name) (Position)

Date \_\_\_\_\_





**SCHEDULE 4H**  
**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**FCM CLIENT TRIPARTY**  
**LODGEMENT FORM**

BNY Mellon US domestic platform (GSCX)

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To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): \_\_\_\_\_

Client

Mnemonic: \_\_\_\_\_

We hereby transfer the securities described below to the Clearing House under the terms of FCM Regulations 14(l) and 14(m) of the FCM Regulations.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time

being be  
customarily  
used in  
connection  
with  
securities of  
similar kinds  
on a fungible  
basis and  
subject to the  
rules of the  
relative  
system and  
the terms  
and  
conditions of  
its operator,  
and the  
Clearing  
House has  
no  
responsibilit  
y for the  
performance  
of any such  
custodian,  
system or  
operator.

Signatories for  
and on behalf  
of We hereby  
confirm that  
the securities  
detailed  
below are  
customer  
funds subject  
to  
segregation  
pursuant to  
the U.S.  
Commodity  
Exchange  
Act and the  
regulations  
of the  
Commodity  
Futures  
Trading  
Commission  
promulgated  
thereunder.

The Clearing  
Member

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**APPENDIX 4H**

**Contingency Member Triparty Lodgement Form**



**~~FCM CLIENT TRIPARTY LODGEMENT FORM~~**

**~~BNY Mellon US domestic platform (GSCX)~~**

Version 1: Mar 2014

To LCH.Clearnet Limited (“the Clearing House”)

LCH.Clearnet Limited Ref No:

From Clearing Member (full name) \_\_\_\_\_

Client Mnemonic \_\_\_\_\_

~~We hereby transfer the securities described below to the Clearing House under the terms of FCM Regulations 9(l) and 9(m) of the FCM Regulations.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.~~

~~We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

Execution Date	Currency (USD only)	Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of the 1  
Clearing Member:  
 The Clearing Member

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Signature) (Print Name) (Position)

2

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Position  
)

Date: .....

**SCHEDULE 4I**

**CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**FCM CLIENT TRIPARTY  
AMENDMENT FORM**



**~~FCM CLIENT TRIPARTY AMENDMENT FORM~~  
BNY Mellon US domestic platform (GSCX)**

Version 1: Mar  
2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): \_\_\_\_\_  
Client Mnemonic: \_\_\_\_\_

We hereby transfer the securities described below to the Clearing House under the terms of FCM Regulations 14(l) and 14(m) of the FCM Regulations.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.

We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

<u>Execution Date</u>	<u>CMS Reference</u>	<u>Increase/Decrease</u>	<u>Currency</u>	<u>New Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>
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Version 1: Mar 2014

To LCH.Clearnet Limited (“the Clearing House”)

From Clearing Member (full name) \_\_\_\_\_

Client Mnemonic \_\_\_\_\_

~~We hereby transfer the securities described below to the Clearing House under the terms of FCM Regulations 9(l) and 9(m) of the FCM Regulations.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.~~



FCM Procedures — Collateral

~~We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

Execution Date	CMS Reference	Increase/Decrease	Currency	New Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of the 1  
**Clearing Member:** \_\_\_\_\_  
 The Clearing Member \_\_\_\_\_  
 \_\_\_\_\_  
 (Signature) (Print Name) (Position)

2  
 \_\_\_\_\_  
 (Signature) (Print Name) (Position)

Date: .....

SCHEDULE 4J

CONTINGENCY MEMBER TRIPARTY CLOSING FORM



**FCM CLIENT TRIPARTY CLOSING FORM**



~~**FCM CLIENT TRIPARTY CLOSING FORM**~~  
 BNY Mellon US domestic platform (GSCX)

Version 1: Mar 2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): .....  
Client Mnemonic: .....

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of the Clearing Member:

1 .....  
 (Signature) (Print Name) (Position)

2 .....  
 (Signature) (Print Name) (Position)

Date .....

**SCHEDULE 4K**  
**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



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**Euroclear**

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To:

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**Clearing  
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LCH.Clearnet Limited Ref No:

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We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

<b>CMS Reference</b>	<b>Closing Date &amp; Execution Date</b>	<b>Currency</b>	<b>Amount</b>	<b>Collateral Giver Account Number</b>	<b>Collateral Taker Account Number</b>

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Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 4K**

**Contingency Member Triparty Lodgement Form**



~~FCM HOUSE TRIPARTY LODGEMENT FORM~~

**EUROCLEAR**

Version 1: Mar 2014

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From Clearing Member (full name) \_\_\_\_\_

House Mnemonic \_\_\_\_\_

~~We are entitled to the entire beneficial interest in these securities.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

~~We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of the 1

Clearing Member: \_\_\_\_\_

The Clearing Member

\_\_\_\_\_

(Signature) (Print Name) (Position)

2 \_\_\_\_\_

(Signature)

(Print Name)

(Position  
)

Date: .....



APPENDIX

**SCHEDULE 4L**

CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM



FCM HOUSETRIPARTYHOUSE  
TRIPARTY AMENDMENT  
FORM  
**EUROCLEAR**

Euroclear  
Version 1: Mar  
2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): .....  
House Mnemonic: .....

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

<u>Execution Date</u>	<u>CMS Reference</u>	<u>Increase/Decrease</u>	<u>Amount of Increase/Decrease</u>	<u>Currency</u>	<u>New Nominal Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>
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Version 1: Mar 2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name) .....

House Mnemonic .....

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

FCM Procedures — Collateral

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Executi on Date	CMS Reference	Increase/ Decrease	Amount of Increase/ Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Col late ral Ta ker Acc oun t Nu m ber

Signatories for and on behalf of the 1

Clearing Member:

The Clearing Member

\_\_\_\_\_

(Signature) (Print Name) (Position)

\_\_\_\_\_

(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

APPENDIX

**SCHEDULE 4M**

**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**FCM HOUSE TRIPARTY  
CLOSING FORM  
EUROCLEAR**

Euroclear  
Version 1: Mar  
2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): .....  
House Mnemonic: .....

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Nominal Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of the Clearing Member:

1 .....  
(Signature) (Print Name) (Position)

2 .....  
(Signature) (Print Name) (Position)

Date .....

**SCHEDULE 4N**  
**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



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**Clearstream**

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 (“the  
**Clearing  
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LCH.Clearnet Limited Ref No:

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We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

CMS Reference	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

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Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_



**APPENDIX 4N**

**Contingency Member Triparty Lodgement Form**



~~FCM HOUSE TRIPARTY LODGEMENT FORM~~

**CLEARSTREAM**

Version 1: Mar 2014

To LCH.Clearnet Limited (“the Clearing House”)

LCH.Clearnet Limited Ref No:

From Clearing Member (full name) \_\_\_\_\_

House Mnemonic \_\_\_\_\_

~~We are entitled to the entire beneficial interest in these securities.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.~~

~~We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of the 1  
Clearing Member: \_\_\_\_\_  
 The Clearing Member  
 + \_\_\_\_\_  
 (Signature) (Print Name) (Position)

2

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Position  
)

Date: .....

APPENDIX

**SCHEDULE 40**

**CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**FCM HOUSE TRIPARTY  
AMENDMENT FORM  
CLEARSTREAM**

Clearstream  
Version 1: Mar  
2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): .....  
House Mnemonic: .....

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

<u>Execution Date</u>	<u>CMS Reference</u>	<u>Increase/Decrease</u>	<u>Amount of Increase/Decrease</u>	<u>Currency</u>	<u>New Nominal Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>
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Version 1: Mar 2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name) .....

House Mnemonic .....

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

FCM Procedures — Collateral

We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.

Executi on Date	CMS Reference	Increase/ Decrease	Amount of Increase/ Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Col late ral Ta ker Acc oun t Nu mb er

Signatories for and on behalf of the 1

Clearing Member:

The Clearing Member

\_\_\_\_\_

(Signature) (Print Name) (Position)

\_\_\_\_\_

(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**SCHEDULE 4P**

**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**FCM HOUSE TRIPARTY  
CLOSING FORM  
CLEARSTREAM**

Clearstream  
Version 1: Mar  
2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name): .....  
House Mnemonic: .....

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Nominal Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of the Clearing Member:

1 .....  
(Signature) (Print Name) (Position)

2 .....  
(Signature) (Print Name) (Position)

Date .....

Version 1: Mar 2014

To: LCH.Clearnet Limited (“the Clearing House”)

From: Clearing Member (full name) .....

House Mnemonic .....

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Nominal Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

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Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**~~BUSINESS CONTINUITY~~**

**~~BUSINESS RECOVERY~~**





## 5. BUSINESS CONTINUITY

### 5.1 Recovery Situations

~~The FCM Procedures set out in this Section are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's Business Continuity Plans.~~

~~Due to the uncertain nature of the events which would lead to the need for Business Recovery the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.~~

The FCM Procedures set out in this Section are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("Business Continuity Plans").

Due to the uncertain nature of the events which would lead to the need for business recovery the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.

These FCM Procedures provide for the evacuation or decommissioning of ~~Aldgate House~~ its principal office. The ~~procedures~~ FCM Procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

#### Recovery Situations Affecting Members' Offices

### 5.2 Recovery situations affecting FCM Members' Ability to Perform Clearing Activities

#### 5.2.1 During Office Hours ~~office hours~~

FCM Clearing Members that are unable to gain access to ~~their principal office accommodation~~ perform clearing activities and as a result require the Clearing House assistance should contact their usual contact as the Clearing House or the Help Desk ~~at~~ on +44 (0)20 7426 7200.

#### 5.2.2 Outside Office Hours ~~office hours~~

FCM Clearing Members should telephone the Clearing House ~~at~~ on +44 (0)20 7426 7545, leaving the following information:

~~Name:~~

~~Company Name:~~

~~Contact Telephone Number:~~

~~Brief Details of the Nature of the Problem:~~

Name:  
Company Name:  
Contact Telephone Number:  
Brief Details of the Nature of the Problem:

A member of the Clearing House operational staff will then make contact regarding any assistance that can be given.

## ~~Aldgate House Evacuation~~

### 5.3 Principal Office evacuation

#### 5.3.1 Communicating with FCM Clearing Members

Should the Clearing House be forced to evacuate ~~Aldgate House~~Its principal office it will need to inform its FCM Clearing Members as soon as practicable. The following ~~s~~Sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to FCM Clearing Members by the following methods:

~~facsimile transmissions to FCM Clearing Members designated fax machines;~~

~~posting messages on www.lchclearnet.com;~~

~~(e)(a) posting messages on the following~~Member Information Line toll free number: ~~0044 800 0800 1 69 69 09;~~ (primary method);

~~(b) Business Continuity recorded~~via Clearing House messaging, where applicable;

~~5.3.2(c) posting~~ messages on www.lchclearnet.com.

Some of the above communications ~~s~~ methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing FCM Clearing Members with progress reports following an initial broadcast message.

## ~~Evacuation of Aldgate House~~

~~If it is necessary for the Clearing House to evacuate Aldgate House, and if re-entry to the building is unlikely within thirty minutes, FCM Clearing Members will be informed by disseminating the following message using the methods described in Section 5.3.1 above.~~

~~“The Clearing House has been forced to evacuate Aldgate House. Please refer to Clearing House Procedures – Business Continuity Arrangements for further information.”~~

~~At this time all of the activities normally carried out at Aldgate House will have ceased, if only temporarily. FCM Clearing Members will be kept informed of developments as further details become available.~~

~~Please note that the reason for broadcasting the above message is to provide FCM Clearing Members with early notification of an evacuation of Aldgate House. At this stage no decision will have been taken to invoke Business Continuity Plans. See Section 5.3.3 below for advice on how FCM Clearing Members will be notified of an invocation of the recovery plan.~~

### ~~5.3.4~~ 5.3.2 **Invoking of Business Continuity Plans**

The Clearing House is contracted with ~~a~~ specialist providers for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the providers stipulates that dedicated work area recovery positions will be available immediately. ~~Syndicated recovery positions will be available within four hours of invocation.~~

Depending on the severity of an incident a full or partial invocation of the service may be required.

In the event of a metropolitan incident, critical clearing services will be handed over to another region in order to meet regulatory deadlines.

### ~~5.3.5~~ 5.3.3 **Limited ~~I~~nvocation**

If the Clearing House's assessment of the incident suggests that reoccupation of ~~Aldgate House~~ its principal office will be possible within two hours, then it is likely that only the mission critical activities (MCA) will be recovered to the recovery site. All other activities will cease until ~~Aldgate House~~ its principal office becomes available.

The following message will be posted: in accordance with section 5.3.1:

~~"The Clearing House has invoked business continuity plans~~ Business Continuity Plans for its MCA's. Please refer to the Clearing House's Procedures - Business Continuity Arrangements for further information."~~"~~

Additional messages may be provided to FCM Clearing Members of particular FCM Clearing Services.

### ~~5.3.6~~ 5.3.4 **Full ~~I~~nvocation**

Once a decision has been taken to proceed with full invocation of ~~business continuity plans~~ Business Continuity Plans FCM Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in Section ~~5.3.1~~ 5.3.1 (Communicating with FCM Clearing Members) above.

~~“The Clearing House has invoked all business continuity plansBusiness Continuity Plans. Please refer to the Clearing House’s Procedures - Business Continuity Arrangements for further information.”~~

Additional messages may be provided to FCM Clearing Members of particular FCM Clearing Services.

It is anticipated that a maximum period of ~~approximately~~ two hours will elapse between the invocation of full ~~business continuity plans~~Business Continuity Plans and the relocation of recovery teams. During this time most of the activities normally carried out at ~~Aldgate House~~Its principal office will cease.

~~Please note that the Clearing House’s primary data center is not located at Aldgate House and so an evacuation of the site will not affect FCM Clearing Members’ ability to access IT applications.~~

Please note that the Clearing House’s primary data center is not located at Its principal office and so an evacuation of the site will not affect FCM Clearing Members’ ability to access IT applications. If the two main data centres are impacted by an incident, a failover will occur to the third (recovery) data centre.

#### ~~5.3.7~~5.3.5 Imminent Expiry of Options

~~Clearing Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a ‘reasonably endeavors’ basis. If any evacuation of Aldgate House coincides with an option expiry this assistance may cease.~~

If the Clearing House’s Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a 'reasonably efforts ' basis. If an evacuation of its principal office coincides with an option expiry, this assistance may cease.

If the Clearing House's invocation of Business Continuity Plans coincides with an option expiry, the notification of ~~the~~Clearing Member’s’ option allocations and the deadline for the entry of option exercises may be delayed.

**Cover Calling****5.3.6 Arrangements for cover**

In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. The Clearing House will advise FCM Clearing Members of these changes through available reporting channels, as necessary. These may include but are not limited to:

- (a) the acceptance/release of securities and guarantees;
- (b) the conversion of currencies; and
- (c) the ability to cover liabilities using collateral denominated in other currencies other than their original currency.

**5.3.7 Registration of Contracts**

The Clearing House will register new business in accordance with the relevant FCM Procedures. However, the Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary. in accordance with the Business Continuity Plans. In the event that registration is to be delayed the Clearing House will notify FCM Clearing Members as soon as practically possible.

**5.3.8 New Address for Document Delivery**

Following invocation of the Business Continuity Plans the Clearing House will provide new address details for document delivery. The Clearing House will arrange to have its mail forwarded to its office recovery site.

**5.3.9 Permanent Change of Address**

The Clearing House is able to occupy the recovery site for a maximum of 180 consecutive days. If the incident is so serious that the Clearing House is unable to reoccupy Aldgate House Its principal office, within this time period, FCM Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in Section 5.3.1 (Communicating with FCM Clearing Members) above.

FCM Clearing Members will be informed of the date when the new arrangements will take effect.

**5.3.10 Return to Normal**

When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in Section 5.3.1 (Communicating with FCM Clearing Members) above. Assuming that it has been possible to return to Aldgate House Its principal office the following message will be broadcast.

“The Clearing House has returned to ~~Aldgate House~~ its principal office. Please revert to normal contact telephone numbers and procedures.”

If normal working is being resumed at a site other than ~~Aldgate House~~ its principal office FCM Clearing Members will already have been informed of the new office location and contact numbers (see Section ~~5.3.8~~ 5.3.8 (New address for document delivery) above.). The following message will be broadcast.

“The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied.”

Additional messages may be provided to FCM Clearing Members of particular FCM Clearing Services.

#### 5.4 Clearing House ~~Data-Centre~~ data center

##### 5.4.1 Failure of ~~LCH's Data-Centre~~ LCH's data center

If the Clearing House's primary data center fails during business hours, those Clearing House IT systems that are used by FCM Clearing Members will be temporarily unavailable while processing is transferred to the secondary data center.

##### 5.4.2 Failure of LCH's secondary data center

If following a failure of the primary data center, the Clearing House's secondary data center fails during business hours, those Clearing House IT systems that are used by the FCM Clearing Members will be temporarily unavailable while processing is transferred to the tertiary data center.

#### 5.5 Compliance with Business Continuity Testing

FCM Clearing Members are required to participate in the Clearing House's Business Continuity Planning (BCP) coordination and testing programs, as required by CFTC Regulation 39.18. The Clearing House will notify FCM Clearing Members when it intends to carry out any such test via an FCM Clearing Member circular and via a posting on [www.lchclearnet.com](http://www.lchclearnet.com) at least 90 days in advance. The Clearing House will, prior to the date of any such test, provide FCM Clearing Members with further details of the steps that will be required under the relevant program.

### **APPEAL PROCEDURES**

#### **APPEAL PROCEDURES**

## 6. APPEAL PROCEDURES

### 6.1 Introduction

These FCM Procedures describe how an FCM Clearing Member may appeal against a decision of the Clearing House ~~(that is, LCH.Clearnet Limited).~~

It should be noted that no appeal may be lodged to the Clearing House in respect of any decision of any other member company of the LCH.Clearnet Group (including LCH.Clearnet SA).

### 6.2 Decisions ~~In Respect Of Which An Appeal May Be Lodged~~ in respect of which an appeal may be lodged

6.2.1 An FCM Clearing Member may appeal against any of the following decisions made by the Clearing House:

- ~~(a)~~ (a) a decision ~~by that the FCM Clearing Member does not meet the criteria for extension of its clearing relationship with~~ the Clearing House ~~to~~;
- ~~(a)(b)~~ (a)(b) a decision ~~by the Clearing House to~~ rescind that FCM Clearing Member's eligibility to have contracts of a certain category or categories registered in its name;
- ~~(b)(c)~~ (b)(c) a decision by the Clearing House to terminate that FCM Clearing Member's FCM Clearing Membership Agreement other than when such decision occurs in connection with the operation by the Clearing House of its Default Rules and these FCM Procedures;
- (d) a Decision Notice issued under the Clearing House's Disciplinary Procedures.

6.2.2 An undertaking which is not an FCM Clearing Member may appeal to an Appeal Committee against the decision made by the Clearing House declining to grant FCM Clearing Member status to that person.

6.2.3 From time to time the Clearing House may amend the lists in this Section ~~6.2~~ 6.2 of decisions in respect of which appeals may be lodged.

### 6.3 Initiating ~~An Appeal~~ an appeal

6.3.1 An appeal to an Appeal Committee under this Section ~~6~~ 6 shall be commenced by sending a copy of the ~~APPEAL FORM~~ Appeal Form in the form set out in ~~Appendix 6A~~ Schedule 6A of these FCM Procedures to the Company Secretary of LCH.Clearnet Limited (“**the Company Secretary**”) at the registered office of the Clearing House.

6.3.2 The ~~APPEAL FORM~~ Appeal Form must be fully completed in all material respects by the person lodging the appeal (“**the appellant**”) and must set out the grounds of the appeal and a brief statement of all matters relied upon by the appellant.



6.3.3 The appellant must enclose with its ~~APPEAL FORM~~Appeal Form payment of £500 which payment shall be returned if the appeal is subsequently upheld by the Appeal Committee or by the Appeal Tribunal. (as described in these FCM Procedures).

6.3.4 An appeal may only be commenced under these FCM Procedures within 28 days of the date upon which the decision to which it relates was notified to the appellant. The Chief Executive of the Clearing House has a discretion to waive this time limit if the appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.

6.3.5 The Company Secretary shall acknowledge receipt of the ~~APPEAL FORM~~Appeal Form no later than 7 days after receipt.

6.3.6 The Company Secretary may request further information or clarification relating to the subject matter or grounds of the appeal.

#### 6.4 The First Tier Appealfirst tier appeal

6.4.1 No later than 28 days from receipt of any ~~APPEAL FORM~~Appeal Form the Company Secretary shall:

(a) refer the appeal to an Appeal Committee comprising:

(i) the Chief Executive of ~~LCH.Clearent Limited or the Deputy Chief Executive~~the Clearing House; and

(ii) two directors of the Clearing House ~~with relevant market experience~~, nominated by the Chairman of the Clearing House; and

(b) notify the appellant in writing of the identities of the persons constituting the Appeal Committee; and

(c) provide to the appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.

6.4.2 Following notification to the appellant in accordance with ~~6.4.1~~Section 6.4.1 above, the appellant shall then have a period of 14 days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee. All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have ~~a~~one copy ~~each~~.

6.4.3 The Appeal Committee shall decide upon its own procedure for considering and determining the appeal ~~which~~. This will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate. The Appeal Committee may extend the time for any act under this Section.

6.4.4 The Appeal Committee may request further or other documentation and information from the appellant.

6.4.5 No later than 21 days from the date upon which the appellant is notified of the composition of the Appeal Committee, or 21 days from the receipt by the Appeal Committee of any further or other documentation or pursuant to 6.4.4 above, whichever is the later, the Appeal Committee shall consider and determine the appeal before it.

6.4.6 An Appeal Committee constituted pursuant to this ~~paragraph 6.4~~Section 6.4 shall promptly, and in any event, no later than 7 days after coming to its determination, give notice of its reasoned determination to an appellant in writing ~~together with its reasons~~.

## 6.5 The ~~Second Tier Appeal~~second tier appeal

6.5.1 If an appellant, having received notice of a determination of an appeal pursuant to ~~paragraph 6.4.6~~Section 6.4.6 (*The first tier appeal*) above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.

6.5.2 A second tier appeal may be commenced under this ~~paragraph 6.5~~Section 6.5 by the submission of a ~~NOTICE OF FURTHER APPEAL~~Notice of Further Appeal in the form set out in ~~Appendix 6B~~Schedule 6B hereto to the Company Secretary at its registered office, setting out the ~~reasons for grounds of~~ the appeal and a brief statement of all matters relied upon by the appellant. Such ~~NOTICE OF FURTHER APPEAL~~Notice of Further Appeal must be received by the Company Secretary no later than 14 days from the date upon which the notice of determination of the Appeal Committee was given to the appellant.

6.5.3 An appeal under this ~~paragraph 6.5~~Section 6.5 shall be heard by an Appeal Tribunal within 3 months of the Notice of Appeal being received by the Company Secretary, or such longer time as the Chairman of the Appeal Tribunal (the "Chairman") shall determine in order to provide a full and fair determination of the appeal.

6.5.4 An Appeal Tribunal constituted under this ~~paragraph 6.5~~Section 6.5 shall consist of 2 persons ("**Tribunal Members**"), with relevant knowledge and experience in the industry of the matters in issue in the appeal, and a legally qualified Chairman. The appellant and the Clearing House may each select a Tribunal Member from a list of no less than 4 persons appropriately qualified persons nominated by ~~The~~the Centre for Dispute Resolution (CEDR), London; ~~and the~~. The Chairman shall be nominated by CEDR. In the event that either the Clearing House or an appellant fails to nominate ~~such~~ a Tribunal Member before a date 2 weeks prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the appellant<sup>2</sup>'s first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that appellant<sup>2</sup>'s second tier appeal.

6.5.5 The Chairman of an Appeal Tribunal shall fix a date for the hearing of the appeal and shall give no less than 28 days' notice in writing to the appellant and the Company Secretary of the time and place in London where such appeal shall be heard.

6.5.6 The appellant shall provide the Appeal Tribunal, with a copy to the Company Secretary, no less than 14 days before the date fixed for the hearing of the appeal, with written submissions setting out such representations as it wishes to put forward in support of its appeal, together with copies of all documentation and other material upon which it wishes to rely.

6.5.7 The Clearing House will submit written submissions, documentation and information with regard to the matters and issues relevant to the decision which is the subject of the appeal and provide a copy thereof to the appellant.

6.5.8 An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or a written opinion with regard to any matter which forms the subject matter of an appeal.

6.5.9 An Appeal Tribunal shall determine its own procedure for the hearing of an appeal and shall not be bound by the rules of evidence. It may adjourn a hearing to another date or dates if it so wishes. If prior to or at such hearing an appellant notifies the Appeal Tribunal that it wishes to make oral submissions an opportunity shall be given to the appellant to do so. A representative of the appellant (and the appellant himself, if the appellant is an individual) and a representative of the Clearing House may attend the hearing and the Appeal Tribunal may in its discretion invite further or other persons to attend the hearing.

6.5.10 At the hearing an appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel **PROVIDED**provided **that** if in any particular case an Appeal Tribunal is satisfied that there isare good and sufficient reasons for doing so, it may refuse to permit a particular individual to represent an appellant at the hearing.

6.5.11 Neither the Clearing House nor an appellant shall have the right to call any witness or cross examine any person who shall have provided any information to an Appeal Tribunal, **PROVIDED**provided **that** an Appeal Tribunal may permit any such cross examination on such terms as it may determine, if it decides that it is appropriate in the particular circumstances of that appeal so to do.

6.5.12 An Appeal Tribunal may have regard to such further or other documents and information and matters as it considers fair and reasonable in the circumstances.

~~Where in this paragraph 6.5 any time is giving for the doing of anything, the Chairman of the Tribunal shall have a discretion to extend such time if he determines that it is fair and reasonable in the circumstances so to do.~~

~~6.5.14~~6.5.13 In considering an appeal, an Appeal Tribunal shall act fairly and impartially and shall take into consideration, *inter alia*, the following:

- (a) the FCM Regulations, other specific Regulations, Default Rules and FCM Procedures of the Clearing House; and
- (b) the Notice of Further Appeal; and
- (c) all documentation and information placed before it by an appellant or by the Clearing House; and
- (d) the role and concomitant obligations of the Clearing House (~~i.e., LCH.Clearnet Limited~~) as a Recognised Clearing House under the Financial Services and Markets Act 2000.

~~6.5.15~~6.5.14 An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.

~~6.5.16~~6.5.15 An appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the appellant.

~~6.5.17~~6.5.16 An Appeal Tribunal shall determine an appeal by majority vote although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:

- (a) dismiss the appeal; or
- (b) uphold the appeal in whole or in part.

~~6.5.18~~6.5.17 An Appeal Tribunal shall deliver a written statement of its decision together with its reasons to an appellant and the Clearing House within 28 days of the date of the hearing. Except in so far as an Appeal Tribunal may direct, information about proceedings before the Appeal Tribunal and the names of persons concerned in the proceedings shall not be made public. The Clearing House may decide to publish the decision of the Appeal Tribunal on such terms as it considers fit.

~~6.5.19~~6.5.18 In the event that an Appeal Tribunal determines to uphold the appeal in whole or in part then the Clearing House shall within 28 days of the receipt of the written decision, ~~re-view~~review and ~~re-consider~~reconsider the decision upon which the appeal was based in the light of the conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.

## 6.6 Requests ~~For Review~~for review

6.6.1 A Member who is aggrieved by any action taken by the Clearing House or decision of the Clearing House (other than any decision set out in ~~6.2~~Section

6.2 (Decisions in respect of which an appeal may be lodged) above or any decision taken under Regulation ~~13 in or~~ 16 (Market Disorders, Impossibility of Performance, Trade Emergency) in, under or in connection with the Clearing House's powers under the Default Rules and Procedures) may, no later than 14 days after the date of the decision or action, request a review of such action or decision by the Chief Executive of the Clearing House.

6.6.2 A Request for Review under this ~~6.6~~ Section 6.6 shall be made in writing, shall be addressed to the Chief Executive of the Clearing House at the registered office and shall set out details of the relevant decision or action, the reasons why the Member is aggrieved and details of such reasonable remedial or other action or monetary payment as that Member requests to be carried out in the circumstances.

6.6.3 The Chief Executive of the Clearing House shall consider the Member's Request for Review and such further or other documents and information as he considers reasonably relevant and shall notify the Member in writing of the outcome of his review within a period of 28 days from receipt by him of the Request for Review. Where it is not possible to complete such review within such period of 28 days, the Chief Executive of the Clearing House shall notify the Member accordingly and shall nominate a further period for the review, such period not to be longer than 3 months from the date of such notification to the Member.

## 6.7 Market Disorders etc. and Default

For the avoidance of doubt, the Clearing House shall be under no obligation to consider any ~~R~~request for ~~R~~review under ~~6.6~~ Section 6.6 (Requests for review) above or otherwise, or comply with the provisions of this Section ~~6.0~~, and no appeal or ~~R~~request for ~~R~~review may be lodged under this Section ~~110~~ or otherwise, in respect of any decision or action taken by the Clearing House under the provisions of Regulation ~~1316~~ (Market Disorders, Impossibility of Performance, Trade Emergency) or in respect of any decision, action or other matter arising out of or ~~connected to in~~ connection with the operation of the Default Rules and Default Procedures and the Clearing House's powers thereunder.

**APPENDIX SCHEDULE 6A**  
**APPEAL FORM**

**APPEAL FORM**

The Clearing House Appeal Procedures

Full Name of firm/company etc. lodging the appeal (“the <b>appellant</b> ”):	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Description of decision appealed against (see Section <b>6.26.2</b> ( <i><u>Decisions in respect of which an appeal may be lodged</u></i> ) of the FCM Procedures):	
Date decision notified to appellant:	
Set out here the grounds for appeal <b>and a brief statement of all facts and matters relied upon by the appellant</b> (if there is not enough space, please use additional sheets and staple to this form):	
What action or remedy are you seeking?	

Pursuant to Section **6.36.3** (*Initiating an appeal*) of the FCM Procedures, we request that this appeal against the above mentioned decision of the Clearing House be referred to an Appeal Committee.

.....  
**Signed for and on behalf of the appellant**

.....  
**(print name)**

.....  
Signed for and on behalf of the appellant

.....  
(print name)

**Notes:**

Please enclose a check payable to LCH.Clearnet Limited drawn on a UK branch, in the sum of £500 sterling. If your appeal is successful this sum will be refunded to you.

If there are any written representations, any documentation or further material which you would like the Appeal Committee to consider when determining your appeal, you may send it with this Appeal Form if you wish. Alternatively you may send it in later. However, please note that the FCM Procedures put a time limit on the submission of such material. See Section ~~6.4.26.4.2~~ (The first tier appeal) of the FCM Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited ~~at~~on +44 (0)20 7426 7000.

**APPENDIX 6B**

**NOTICE OF FURTHER APPEAL**



**SCHEDULE 6B**  
**NOTICE OF FURTHER APPEAL**

The Clearing House Appeal Procedures

**Note:** This form should only be used if you have had a determination of an Appeal Committee and you are now commencing a Second Tier Appeal under Section 6.56.5 (The second tier appeal) of the FCM Procedures.

Full Name of firm/company etc. lodging the appeal ("the appellant"):	
Registered office address:	
Contact address and telephone number and email ( if different from the above):	
Contact name:	
Position:	
Details of determination of Appeal Committee appealed against (see Section <u>6.56.5 (The second tier appeal)</u> of the FCM Procedures):	
Please attach a copy of the Determination:	
Date of determination of the Appeal Committee:	
Set out here the grounds for appeal <u>and a brief statement of all facts and matters relied upon by the appellant</u> (if there is not enough space, please use additional sheets and staple to this form):	
What action or remedy are you seeking?	

Pursuant to Section 6.56.5 (The second tier appeal) of the Clearing House Procedures, we request that an Appeal Tribunal be constituted to determine this appeal against the above mentioned determination of the Appeal Committee.

-----  
Signed for and on behalf of the appellant

-----  
(print name)

.....  
Signed for and on behalf of the appellant

.....  
(print name)

**Notes:**

If there are any written representations, any documentation or further material which you would like the Appeal Tribunal to consider when determining your appeal, you may send it with this Notice of Further Appeal Form if you wish. Alternatively you may send it in later. However, please note that the FCM Procedures put a time limit on the submission of such material. See Section ~~6.5.6~~6.5.6 (The second tier appeal) of the FCM Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited aton +44 (0)20 7426 7000.

**COMPLAINTS**

**COMPLAINTS**



## 7. COMPLAINTS

### 7.1 Introduction

7.1.1 These FCM Procedures describe how a person (the “**Complainant**”) who:

- (a) has a complaint about the conduct or behavior or other actions of an FCM Clearing Member with regard to that FCM Clearing Member’s clearing activities with ~~LCH; the Clearing House; or~~
- (b) has a complaint arising in connection with the performance of, or ~~the~~ failure to perform, any of the Clearing House’s regulatory functions;  
~~or,~~

may make a formal complaint, and how that complaint will be investigated and resolved.

### 7.2 How ~~To Make A Complaint~~ to make a complaint

7.2.1 A complaint with regard to the conduct or behavior or other actions of an FCM Clearing Member ~~in~~with regard to that FCM Clearing Member’s clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:

- (a) must be made in writing, be dated and addressed to the ~~Company Secretary~~Chief Compliance Officer LCH.Clearnet Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;
- (b) should set out, as far as possible, details of the conduct, behavior or other actions complained of, date~~/(s)~~ and place~~/(s-it)~~ these occurred, the names of the person involved, the outcome sought, and any other relevant details;
- (c) must be made no later than 3 months after the conduct, behavior or other actions complained of, or, if the conduct, behavior or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;
- (d) must contain the full name and address of the ~~e~~Complainant and, wherever possible the details of a contact telephone number and email address.

7.2.2 In submitting a complaint in accordance with these FCM Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.

7.2.3 Upon receipt of a written complaint pursuant to these FCM Procedures, the ~~Company Secretary~~Chief Compliance Officer of the Clearing House shall acknowledge in writing to the address shown in the letter of complaint, receipt of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in accordance

with the procedure set out in this Section, the Clearing House shall conduct an internal investigation and review ~~of~~ such complaint in accordance with the procedures set out in Section ~~7.1.17.2.1~~ ~~7.1.27.2.2~~ 7.3.3 (Internal investigation and review by the Clearing House) below.

### 7.3 Internal Investigation And Review By The investigation and review by the Clearing House

7.3.1 No later than 14 days from receipt of a complaint of the type referred to in Section ~~7.1.17.2.1~~ or ~~7.1.27.2.2~~ (How to make a complaint) above, the ~~Company Secretary~~ Chief Compliance Officer of the Clearing House shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.

7.3.2 An Investigation Committee shall consist of any 3 of the following persons:

(a) ~~the Deputy Chief Executive of LCH.Clearnet Limited~~ Compliance Officer;

(b) ~~the Managing Director,~~ Head of Legal, London;

(c) ~~the Head of Legal, New York;~~

~~(b)(d) the Group Head of Operations;~~

~~the Managing Director, Finance;~~

~~the Managing Director, Business Development;~~

(e) any person holding the position of Executive Director or Managing Director at the Clearing House;

~~provided~~ **always that** an Investigation Committee shall have at least one ~~Managing Director or of the Deputy Chief Executive~~ Compliance Officer or the Head of Legal, London among its number.

7.3.3 The Investigation Committee established pursuant to this Section ~~77~~ shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of ~~LCH.Clearnet Limited~~ the Clearing House within a period of 12 weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's decision.

7.3.4 The costs of the internal investigation and review shall be borne by ~~LCH~~ the Clearing House.

7.3.5 Where the ~~Company Secretary~~ Chief Executive Officer of the Clearing House receives a written complaint which is not a complaint regarding the conduct, behavior or other actions of an FCM Clearing Member in respect of its

clearing activities with the Clearing House or that is not a complaint arising in connection with the performance of, or the failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding an FCM Clearing Member or regarding the conduct, behavior or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of ~~LCH.Clearnet Limited~~ the Clearing House to be dealt with in accordance with the ~~REQUESTS FOR REVIEW~~ Requests for Review procedure set out in Section ~~6.6 (Appeals Procedures)~~ 6.6 (Requests for review) of these FCM Procedures.

#### 7.4 Referral To An Independent Investigator to an independent investigator

7.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in Section ~~7.3~~ 7.3 (Internal investigation and review by the Clearing House) above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in Sections ~~7.1.1 and 7.1.2 above, (and providing~~ 7.2.1 and 7.2.2 above (How to make a complaint) (and provided that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in Section ~~7.5~~ 7.5 (Procedure for dealing with the complaint) below.

7.4.2 A request for referral to an Independent Investigator shall be made in writing to the ~~Company Secretary~~ Chief Compliance Officer of the Clearing House and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with Section ~~7.2~~ 7.2 (How to make a complaint).

7.4.3 Within 14 days of receipt of a written request, in accordance with Section ~~7.4.2~~ 7.4.2 above, the ~~Company Secretary~~ Chief Compliance Officer of the Clearing House shall refer the complaint to an Independent Investigator ~~(as described below)~~.

7.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (CEDR), London. Such investigator shall be a person:

- (a) independent of ~~LCH.Clearnet Limited~~ the Clearing House (for these purposes "independent" shall mean that such person is not and has not been an officer, director or employee of ~~LCH.Clearnet Limited~~; the Clearing House); and
- (b) with appropriate knowledge of how clearing ~~is~~ is carried out by the Clearing House and of the FCM Rulebook (including the FCM Procedures); and other relevant documentation, regulation and applicable law; and

(c) \_\_\_\_\_ with appropriate experience of the market activities in respect of which the complaint ~~is focused~~relates.

7.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these FCM Procedures.

7.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week day period referred to in ~~7.4.3~~7.4.3 above, then the ~~Company Secretary~~Chief Compliance Officer of the Clearing House shall notify the complainant in writing of the reasons for the delay.

## 7.5 Procedure ~~For Dealing With The Complaint~~for dealing with the complaint

7.5.1 Upon appointment, an Independent Investigator nominated in accordance with these FCM Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.

7.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and, and may ~~do~~, *inter alia*, do any one or more of the following:

- (a) \_\_\_\_\_ interview the Complainant;
- (b) \_\_\_\_\_ interview a representative of the Clearing House;
- (c) \_\_\_\_\_ seek further or other information from the Clearing House and/or the Complainant; or
- (d) \_\_\_\_\_ make such further or other reasonable inquiries as he/she deems fit in order properly and fully to investigate the ~~C~~complaint.

## 7.6 Outcomes

7.6.1 The Independent Investigator shall, wherever reasonably possible, conclude his/her investigation of a complaint referred to him/her under these FCM Procedures, within a period of 2 months from the date of his/her nomination. Where it is not reasonably possible ~~so to do~~ on account of so due to the nature or complexity of the matter referred to him/her or for other good reason, then he/she shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.

7.6.2 The Independent Investigator shall, at the end of his/her investigation, produce a written report setting out his findings, conclusions, and reasons for his/her

conclusions. Such report shall be provided both to the Complainant and to the Clearing House but it shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of such request, the report shall be made public by being published on the ~~LCH.Clearnet Limited~~ Clearing House's public website. Where only part of the complaint is upheld, then only ~~that~~the part of the report relating to that part of the complaint shall be so published.

7.6.3 In his written report the Independent Investigator may:

- (a) \_\_\_ dismiss the complaint;
- (b) \_\_\_ uphold the complaint in its totality;
- (c) \_\_\_ uphold part of the complaint and dismiss part of the complaint; or
- (d) \_\_\_ make such recommendations as he/she deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment and/or takes such action as may be reasonably practicable to remedy the cause of the complaint.

## **~~DISCIPLINARY PROCEEDINGS~~**

### **~~DISCIPLINARY PROCEEDINGS~~**

#### **~~SCOPE OF THIS PROCEDURE~~**



## 8. DISCIPLINARY PROCEEDINGS

### 8.1 Scope of this procedure

8.1.1 All FCM Clearing Members are subject to Disciplinary Proceedings pursuant to Section ~~80~~ of these FCM Procedures (the “**Disciplinary Proceedings**”).

8.1.2 Any alleged breach by an FCM Clearing Member of an obligation set out in the FCM Rulebook (the “**Alleged Breach**”) may be dealt with in accordance with the provisions of ~~these Disciplinary Procedures~~ this Section.

8.1.3 ~~These Disciplinary Procedures~~ The disciplinary procedures contained in this Section are without prejudice to:

- (a) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the FCM Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Rules;
- (b) the Clearing House’s right to take no action where it considers that taking action would be disproportionate or otherwise, in its discretion; and
- (c) any provision of applicable law concerning enforcement by ~~the~~ Regulatory Body.

## INVESTIGATION PROCEDURE

### 8.2 Investigation procedure

8.2.1 Subject to the provisions of Section ~~8.3.0~~ (Immediate measure), the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this Section ~~8.2.0~~.

(a) Opening of the ~~Investigation Procedure~~ investigation procedure

When the Clearing House commences proceedings to investigate an Alleged Breach:

- (i) the Clearing House shall send a written notice to the FCM Clearing Member, setting out the details of the Alleged Breach, including a summary of the facts relied on in sufficient detail for a reasonable person in the FCM Clearing Member’s position to be able to properly understand and to respond to the allegations made against it;
- (ii) the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet ~~group~~ organization Group that shall lead the investigation procedure on behalf of the Clearing House and shall inform the FCM Clearing Member as to who this representative will be in the

written notice which is sent in accordance with sub-paragraph ~~(i)~~ above;

(iii) Following receipt of the written notice sent in accordance with sub-paragraph ~~(i)~~ above, the FCM Clearing Member shall be permitted to (x) raise objections in writing to the Alleged Breach of which it has been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds of conflicts of interest, within 48 hours. Where an objection is raised, either the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House shall discuss the perceived conflict of interest with the FCM Clearing Member within 24 hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of sub-paragraph ~~(ii)~~ above;

(iv) the FCM Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition). The FCM Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, **provided that** the Clearing House shall not be required to reveal any information which it deems to be confidential;

(v) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the FCM Clearing Member's offices at any time during normal business hours, having provided reasonable notice (~~being~~ proportionate to the seriousness of the Alleged Breach) to the FCM Clearing Member as part of the investigation procedure. The FCM Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The FCM Clearing Member shall make available all information, records, and documents kept by the FCM Clearing Member, that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and

(vi) the FCM Clearing Member shall exercise best ~~endeavor~~ efforts to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably

requested, at a specified time on reasonable notice (at either the offices of the Clearing House or at those of the FCM Clearing Member) in order to answer questions or to provide explanations that may be relevant for the examination of the Alleged Breach.

(b) Report

Following the conclusion of the investigation procedure, the Clearing House shall: ~~(i)~~ notify the FCM Clearing Member; and ~~(ii)~~ produce a written report (the “Report”) in relation to the Alleged Breach and provide it to the FCM Clearing Member, within no more than 14 days ~~as~~ from the notification by the Clearing House of the conclusion of the investigation procedure.

The Report shall contain the findings of the investigation, reference the provision of the FCM Rulebook allegedly breached by the relevant FCM Clearing Member and indicate the Clearing House’s intended course of action in relation to the Alleged Breach, being either:

(i) to proceed with Disciplinary Proceedings, in accordance with ~~these Disciplinary Procedures~~ this Section, if the Clearing House believes that there ~~to be~~ is *prima facie* evidence of the Alleged Breach having been committed;

(ii) to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the FCM Rulebook if the Clearing House believes that there ~~to be~~ is *prima facie* evidence of the Alleged Breach having been committed but the sanctions set out in ~~Paragraph 8.4~~ Section 0 (Sanctions) of ~~these Disciplinary Procedures~~ this Section are, in the Clearing House’s reasonable opinion, inadequate; or

(iii) to take no further action.

(c) Disciplinary Committee Formation

Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with ~~Paragraph 8.2(b)~~ paragraph 8.2.1(b)(i) of this Section (Investigation Procedure) above, it will convene a “**Disciplinary Committee**” consisting of:

(i) The Chairman of the Risk Committee of the Clearing House, or his representative;

(ii) The Chief Compliance Officer of the Clearing House, or his representative;

(iii) The Chief Risk Officer of the Clearing House, or his representative; and

(iv) Two members of the Executive Committee of LCH.Clearent Group ~~Limited~~.

Details of the precise composition of the Disciplinary Committee shall be provided to the FCM Clearing Member as part of the Report, as appropriate.

(d) FCM Clearing Member R~~response~~

The FCM Clearing Member shall respond to the Disciplinary Committee, within 14 days of receiving a Report which indicates that the Clearing House intends to proceed with Disciplinary Proceedings, providing a statement of defense responding to the allegations.

If no response has been received by the Disciplinary Committee within 14 days or such extended period as has been agreed between the FCM Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure (as set out in ~~P~~paragraph 8.2.1(e) ~~below~~) (Investigation procedure) of this Section (Investigation procedure) and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in ~~Paragraphs 8.2(g) and 8.2(h) below~~ paragraphs 8.2.1(g) and 8.2.1(h) (Investigation procedure) of this Section.

(e) Exploratory M~~meetings~~

Once the FCM Clearing Member has responded to the Report, either the FCM Clearing Member or the Disciplinary Committee can, within 7 days, request a meeting with the other party to ask further questions and discuss the Alleged Breach (the “**Meeting**”).

Unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, the Meeting will be held at the Clearing House’s offices in London, **provided that**, if appropriate, the Meeting may take place at the Clearing House’s offices in New York, within 14 days from the request for a Meeting.

The Disciplinary Committee and the relevant FCM Clearing Member are each entitled to bring to the Meeting any person relevant to the Disciplinary Proceedings which includes but is not limited to the following:

- (i) relevant experts;
- (ii) legal advisors; and
- (iii) accounting advisors.

The Clearing House and/or the FCM Clearing Member shall only be entitled to object to the attendance by any of the above if there is a substantiated conflict of interest.

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting, on the basis of the Report, the FCM Clearing Member's response to the Report, and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the FCM Clearing Member, save that the FCM Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the FCM Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the FCM Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the FCM Clearing Member shall bring more than six representatives, unless otherwise agreed.

(f) Determination

Having considered the Report, the FCM Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with ~~Section 8.2(e) above and paragraph (e) of Section~~ 8.2.1 (*Investigation procedure*) and having conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this Section ~~8.2(f)~~8.2.1(f) (*Investigation procedure*), by a majority of the attendees, **provided that** no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of applicable law or ~~regulation or~~ court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

(i)        a relevant Regulatory Body;

(ii)        a ~~Governmental Authority~~governmental authority; or

(iii)        the courts of England and Wales, the State of New York or the United States, in connection with a ~~D~~dispute.

(g)        *Recommendation*

Within 7 days of the later of:

(i)        the FCM Clearing Member<sup>2</sup>'s response to the Report; and

(ii)        the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with Section ~~8.2(f) above~~, 8.2.1(f) (*Investigation procedure*), to the Clearing House (the "**Recommendation**").

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the FCM Clearing Member pursuant to Section ~~8.4 of these Disciplinary Procedures~~.0 (*Sanctions*).

This ~~Section 8.2~~paragraph (g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the ~~Rules~~FCM Rulebook if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in ~~Paragraph 8.4 of these Disciplinary Procedures~~Section 0 (*Sanctions*) are, in the Disciplinary Committee<sup>2</sup>'s reasonable opinion, inadequate.

(h)        *Decision Notice*

Following receipt of a Recommendation, pursuant to ~~Section 8.2~~paragraph (g) above, the Clearing House must decide whether or not to sanction the FCM Clearing Member in accordance with Section ~~8.4 of these Disciplinary Procedures~~0 (*Sanctions*) or otherwise in accordance with the provisions of the ~~Rules~~FCM Rulebook.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

A decision by the Clearing House in accordance with this Section ~~8.2~~8.2.1(h) (Investigation procedure) will be made by the Chief Executive Officer of the Clearing House or another suitably senior executive of the Clearing House.

Within 14 days of receiving a Recommendation, the Clearing House must notify the FCM Clearing Member of its decision by registered mail to the address notified to the Clearing House in its admission application (the “**Decision Notice**”).

A Decision Notice shall include details of the grounds on which the Clearing House has come to its decision and the sanction(s), if any, to be imposed against the FCM Clearing Member by the Clearing House pursuant to Section ~~8.40~~ (Sanctions) below or otherwise in accordance with the provisions of the ~~Rules~~FCM Rulebook.

(i) Action

Notwithstanding any decision by the Clearing House to convene a Disciplinary Committee and to proceed with Disciplinary Proceedings in accordance with Sections ~~8.2(e) to 8.2(i)~~8.2.1(c) to (h) (Investigation Procedure) above, the Clearing House may at any time choose to:

(i) discontinue the Disciplinary Proceedings;

(ii) determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant FCM Clearing Member pursuant to Section ~~8.40~~ (Sanctions) below or otherwise in accordance with the provisions of the ~~Rules~~FCM Rulebook;

(iii) take alternative action in accordance with the provisions of the ~~Rules~~FCM Rulebook (including, without limitation, suspension or termination of the FCM Clearing Member<sup>2</sup>'s membership of the Clearing House pursuant to the FCM Rulebook and/or the issuance of a Default Notice in respect of such FCM Clearing Member in respect of the FCM Clearing Member pursuant to the Default Rules), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or

(iv) amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add, delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this Section ~~8.20~~ (Investigation procedure) will apply (and, unless otherwise agreed between the FCM Clearing Member and the Disciplinary Committee, any timing specified in this Section ~~8.20~~ (Investigation procedure) will restart) in respect of the amended Report.



**IMMEDIATE MEASURE**

**8.3 Immediate measure**

8.3.1 Where the Alleged Breach comprises of a breach of:

- (a) any of an FCM Clearing Member's obligations set out in the FCM Rulebook when such breach constitutes a threat to the integrity or safety of the Clearing House or increases the risk exposure of the Clearing House or other FCM Clearing Members;
- (b) an FCM Clearing Member's obligation to satisfy the relevant membership criteria pursuant to Section ~~4~~1 (FCM Clearing Member status) of these FCM Procedures;
- (c) an FCM Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section ~~4~~1 (FCM Clearing Member status) of these FCM Procedures;
- (d) an FCM Clearing Member's obligations to submit its clearing activity to audits and inspections pursuant to Section ~~4~~1 (FCM Clearing Member status) of these FCM Procedures;
- (e) an FCM Clearing Member's obligations to satisfy its record keeping requirements pursuant to Section ~~4~~1 (FCM Clearing Member status) of these FCM Procedures;
- (f) an FCM Clearing Member's obligation to furnish the Clearing House with margin by the required time in accordance with FCM Regulation ~~9 and Section 3~~14 (Margin and Collateral) and Section ~~3~~ (Financial Transactions) of these FCM Procedures,

the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House shall be entitled at their sole discretion to, (a) issue a letter to the relevant FCM Clearing Member, reminding such member of their obligations under the FCM Rulebook or (b) impose a fine on the FCM Clearing Member in accordance with Section ~~8.4.0~~ (Sanctions) without being required to follow the procedure set out in Section ~~8.20~~ (Investigation procedure) above. In such circumstances the Clearing House must notify the FCM Clearing Member of its decision and the sanction that is to be imposed by way of a Decision Notice.



## SANCTIONS

### 8.4 Sanctions

8.4.1 The Clearing House shall be entitled, in its absolute discretion, to impose the following sanctions against an FCM Clearing Member, pursuant to ~~these Disciplinary Procedures~~ this Section, **provided that** any such sanction is proportionate and commensurate with the seriousness of the Alleged Breach:

- (a) to impose a fine or require the FCM Clearing Member to make any other form of payment in an amount which it considers appropriate;
- (b) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the ~~Website~~ website of the Clearing House;
- (c) suspension for a fixed period, as determined by ~~LCH.Clearnet Limited~~ the Clearing House in its sole discretion ~~from anyone of one~~ or all of the clearing services offered by the Clearing House;
- (d) issuance of a private warning or reprimand;
- (e) termination of the FCM Clearing Membership Agreement; and/or
- (f) any combination of the above.

## DISPUTING A DECISION

### 8.5 Disputing a decision

Where an FCM Clearing Member wishes to dispute the Clearing House's<sup>21</sup> decision to impose sanctions listed in Section ~~8.30~~ (Immediate measure) or ~~8.4.0~~ (Sanctions), an FCM Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House may, at their discretion, direct) of receiving the Decision Notice in accordance with Section ~~8.2~~ (8.2.1(h) Investigation procedure) or ~~8.3.0~~ (Immediate measure), file an Appeal in accordance with Section ~~66~~ of these FCM Procedures. In the event that the FCM Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House in connection with the Alleged Breach shall be final and binding. In the event that the FCM Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

## REPORTING AND PUBLICATION

### 8.6 Reporting and publication

8.6.1 The Clearing House shall:

- (a) report on its monitoring procedures in respect of the FCM Rulebook, compliance and breaches of the FCM Rulebook to its Regulatory Body

pursuant to applicable law and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;

- (b) immediately notify the Regulatory Body of a decision to suspend or terminate an FCM Clearing Member's membership rights or ~~declare to issue a Default Notice in respect of~~ an FCM Clearing Member ~~to be subject to an Event of Default~~ (in each case in accordance with the FCM Rulebook); ~~and~~
- (c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, **provided however that** only the details of those FCM Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed; ~~and~~

#### INFRINGEMENT OF APPLICABLE LAW

- (d) be entitled to publish (i) breaches by its FCM Clearing Members of the criteria for FCM Clearing Member status pursuant to the FCM Clearing Membership Agreement, as prescribed for in the FCM Rulebook; and (ii) breaches by its FCM Clearing Members for not disclosing the prices and fees of each of the FCM Clearing Services separately (including any applicable discounts and rebates and the conditions to benefit from them).

#### 8.7 Infringement of applicable law

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of applicable law, it shall report the matter to the relevant Regulatory Body as soon as possible.

**LCH.Clearnet Rule Submission**

**Exhibit 4**

**Black-line of FCM Product Specific Contract Terms and Eligibility Criteria  
Manual**

**SCHEDULE A – FCM SWAPCLEAR CONTRACT TERMS  
AND PRODUCT ELIGIBILITY CRITERIA**

Part \_\_\_\_\_ A  
FCM SwapClear

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FCM PRODUCT SPECIFIC CONTRACT TERMS AND  
ELIGIBILITY CRITERIA MANUAL

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## CONTENTS

<u>Clause</u>	<u>Page</u>
<u>SCHEDULE 1 FCM Swapclear.....</u>	<u>1</u>
<u>Part A FCM Swapclear Contract Terms .....</u>	<u>1</u>
<u>Part B Product Eligibility Criteria for Registration of an FCM SwapClear Contract .....</u>	<u>10</u>
<u>SCHEDULE 2 FCM Enclear .....</u>	<u>2</u>
<u>Part A FCM EnClear Contract Terms.....</u>	<u>2</u>
<u>Part B Product Eligibility Criteria for Registration of an FCM EnClear Contract.....</u>	<u>7</u>
<u>SCHEDULE 3 FCM Forexclear .....</u>	<u>8</u>
<u>Part A FCM Forexclear Contract Terms.....</u>	<u>8</u>
<u>Part B Registration of an FCM ForexClear Contract - Product Eligibility Criteria .....</u>	<u>15</u>

**SCHEDULE 1**  
**FCM SWAPCLEAR**

**PART A**  
**FCM SWAPCLEAR CONTRACT TERMS**

The terms of a registered FCM SwapClear Contract shall include these FCM SwapClear Contract Terms which shall comprise:

- ~~(4)~~ Interpretation; and
- ~~(1)~~ ~~(2)~~ Economic Terms; and
- ~~(2)~~ ~~(3)~~ Standard Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM SwapClear Contract Terms applicable to an FCM SwapClear Contract to calculate the amounts due under the FCM SwapClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

**1. Interpretation**

- 1.1 ~~“ISDA 2000 Definitions”~~ means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ~~“ISDA”~~, and the same are incorporated by reference herein and ~~“ISDA 2006 Definitions”~~ means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ~~“ISDA 2000 Definitions”~~ or the ~~“ISDA 2006 Definitions”~~ shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply.
- 1.3 In the event of an inconsistency between the FCM Regulations and the FCM Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the FCM Regulations and FCM Procedures will prevail.
- 1.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a ~~“Swap Transaction”~~ shall be deemed to be references to an ~~“FCM SwapClear Transaction”~~ for the purposes of SwapClear.

- 1.5 Except where expressly stated otherwise, all reference to ~~“Articles”~~ means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:
- (a) in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;
  - (b) any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines; and
  - (c) the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## ~~2.~~ Economic Terms

~~2.1~~ ~~The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

## ~~3.2.~~ Economic Terms

~~2.1~~ The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.

~~3.42.2~~ It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps, the information described in either 2.3(i)(viii) or 2.3(i)(ix) below (but not both) must be provided.

3.22.3 The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:

- (a) Notional Amount (see Article 4.7) of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>1</sup>; <sup>2</sup>);
- (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
- (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
- (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
- (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);
- (i) Where Fixed Rate – Floating Rate Swap:
  - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
  - (ii) Fixed Rate Payer Payment Dates;

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<sup>1</sup> ~~SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.~~

<sup>2</sup> SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.



- (iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction] [or Fixed Rate Payer Schedule]<sup>3,4</sup>;
- (iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);
- (v) Floating Rate Payer Payment Dates;
- (vi) Floating Rate Payer compounding dates (if applicable);
- (vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);
- (viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);  
  
(Note: The details of each such option are as provided in the Procedures).
- (ix) Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the "Annex to the 2000 ISDA Definitions (June 2000 Version)"<sup>5</sup> for definition);
- (x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>5,6</sup>;
- (xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
- (xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).

<sup>3</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.~~

<sup>4</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.~~

<sup>5</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

<sup>6</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

- (j) Where Floating Rate – Floating Rate Swap (“~~“basis”~~ swap):
- (i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
    - ~~(a)~~ (a) Floating Rate Payer Payment Dates;
    - ~~(b)~~ (b) Floating Rate Payer compounding dates (if applicable);
    - ~~(c)~~ (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) ~~—~~of the ISDA 2006 Definitions for definition);

(Note: the details of each such option are as provided in the Procedures)
  - (ii) Designated Maturity (see Article 7.3(b) of the “~~Annex to the 2000 ISDA Definitions (June 2000 version)~~”<sup>7</sup> and Article 7.3 (b) of the ISDA 2006 Definitions for definition);
  - (iii) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>7</sup>; ~~8~~;
  - (iv) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);
  - (v) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition);
  - (vi) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):
    - ~~(a)~~ (a) Floating Rate Payer Payment Dates;
    - ~~(b)~~ (b) Floating Rate Payer compounding dates (if applicable);
    - ~~(c)~~ (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) ~~—~~of the ISDA 2006 Definitions for definition);

(Note: The details of each such option are as provided in the Procedures)

<sup>7</sup>—~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

<sup>8</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- (vii) Designated Maturity (see Article 7.3(b) of the ~~"Annex to the 2000 ISDA Definitions (June 2000 version)"~~<sup>9</sup> and Article 7.3 (b) of the ISDA 2006 Definitions for definition);
- (viii) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>9</sup>; 10;
- (ix) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition); and
- (x) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).

3.32.4 The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:

- (a) Notional Amount (see Article 4.7 for definition);
- (b) Currency (see Article 1.7 for definition);
- (c) Trade Date (see Article 3.7 for definition);
- (d) Effective Date (see Article 3.2 for definition);
- (e) Termination Date (see Article 3.3 for definition);
- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none);
- (g) Business Days (see Article 1.4 for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Fixed Rate Payer (see Article 2.1 for definition);
- (j) Fixed Rate Payer Payment Dates;
- (k) Fixed Rate;
- (l) Floating Rate Payer (see Article 2.2 for definition);

<sup>9</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

<sup>10</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- (m) Floating Rate Payer Payment Dates;
- (n) Floating Rate Option (see Article 6.2(i) for definition);
- (o) Designated Maturity (see Article 7.3(b) for definition);
- (p) Spread (see Article 6.2(f) for definition);
- (q) Reset Dates (see Article 6.2(b) for definition);
- (r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition);
- (s) FRA Discounting (see Article 8.4 (b) for definition);
- (t) Discount Rate (see Article 8.4. (c) for definition);
- (u) Discount Rate Day Count Fraction (see Article 8.4. (d) for definition); and
- (v) FRY Yield Discounting (see Article 8.4(e) for definition).

In respect of forward rate agreements either (s) or (v) but not both should be selected.

### **3.42.5 Financial Centers**

Detail of the relevant financial center/s must be provided using the appropriate Markitwire/FpML code as set out below:

<b>Financial Center</b>	<b>Markitwire/FpML</b>
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Budapest	HUBU
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE

<b>Financial Center</b>	<b>Markitwire/FpML</b>
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJ0

### **4.3. Standard Terms**

The following terms are designated as Standard Terms of a registered FCM SwapClear Contract:

#### **4.43.1 Business Days**

In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to an FCM SwapClear Contract.

#### **4.23.2 Negative Interest Rates**

The “Negative Interest Rate Method” as set out in Article 6.4(b) of the ISDA Definitions, will apply to an FCM SwapClear Contract.

#### **4.33.3 Withholding Tax Provisions**

All payments due under an FCM SwapClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

#### **4.43.4 Payment of Stamp Tax**

Each FCM Clearing Member will pay any stamp tax or duty levied or imposed upon it in respect of any FCM SwapClear Contract to which it is a party 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 will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of

any FCM SwapClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.

#### **4.53.5 *Payments under an FCM SwapClear Contract***

Payments under, and in respect of, an FCM SwapClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Procedures.

#### **4.63.6 *FCM Regulations***

An FCM SwapClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM SwapClear Contract Terms and the FCM Regulations and the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

#### **4.73.7 *Governing Law***

Each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of law and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### **4.83.8 *Third Party Rights***

A person who is not a party to this FCM SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM SwapClear Contract are expressly excluded.

**PART B**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN FCM SWAPCLEAR CONTRACT**

**1. FCM SwapClear Transaction**

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- ~~(a)~~ **(a)**      the transaction meets the FCM SwapClear Product Eligibility Criteria for registration as an FCM SwapClear Transaction; and
- ~~(b)~~ **(b)**      each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

**1.1 FCM SwapClear Product Eligibility Criteria for an FCM SwapClear Transaction**

- (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below;

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>11</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		<del>GBP-WMBA-SONIA-COMPOUND</del>	<del>Fixed vs. Floating</del>	<del>Single currency</del>	<del>10,970 days</del>	
		<u>GBP-WMBA-SONIA-COMPOUND</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 days</u>	
		See Article 7.1w (vii) for definition	Floating vs. Floating			99,999,999,999.99

<sup>11</sup> References in this column are to the 2006 ISDA Definitions.

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>11</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(ab) (xxii) for definition	Floating vs. Floating			99,999,999, 999.99
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	
		See Article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999, 999.99
		EUR-EURIBOR-Telerate				
		See Article 7.1 (f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating		10,970 days	
		See Article 7.1(f) (viii) for definition				
	Australian Dollar (AUD)	AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01- 99,999,999, 999.99



<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>11</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
		See Article 7.1(a) (iv) for definition	Floating vs. Floating			
Vanilla interest rate swaps with constant notional principal		AUD-LIBOR-BBA				
		See Article 7.1(a) (viii) for definition				
	Canadian Dollar (CAD)	CAD-BA-CDOR	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(b) (ii) for definition	Floating vs. Floating			
		CAD-LIBOR-BBA				
		See Article 7.1(b) (viii) for definition				
		CAD-CORRA-OIS-COMPOUND	Floating vs. Floating	Single currency	736 days	0.01-99,999,999,999.99
		See Article 7.1(b) (xii) for definition				
	Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1r(i) for	FLOAT vs.			

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>11</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
		definition	FLOAT			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(e) (i) for definition	Floating vs. Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e) (ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(g) (ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g) (iii) for definition				
		HKD-HIBOR-ISDC				
		See Article 7.1(g) (i) for definition				
	Hungarian Forint (HUF)	HUF-BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>11</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	14620 days	1-10,000,000,000,000
		See Article 7.1(l) (iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-FRA	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999,999.99
		See Article 7.1(p) (iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q) (i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(t) (iii) for definition	Floating vs. Floating			

Instrument	Acceptable Currencies	Acceptable Indices <sup>11</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		SGD-SOR-VWAP	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See <a href="#">FCM</a> Procedure 2A.7.12-(v) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x) (i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(y) (ii) for definition				
		CHF-TOIS_OIS_COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y) (iv) for definition	Floating vs. Floating			
	Polish Zloty(PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African	ZAR	FIXED vs.	Single	3670 days	0.01-99,999,999,

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>11</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
	Rand (ZAR)		FLOAT	currency		999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

(b) Variable notional swaps having the characteristics set out in the table below;

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional	GBP	GBP-LIBOR-	Interest Rate	Single	18,275	

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>
Swap		BBA	Swap	currency	Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	

(c) Forward rate agreements having the characteristics set out in the table below;

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>	<b>FRA Tenors</b>	<b>Minimum and Maximum FRA Terms (Days)</b>
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m	Min 25 Max 190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 6m, 1y	Min 25 Max 375
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m,	Min 3 Max 375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							11m, 1y	
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	JPY	JPY-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m,	Min 3



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
							5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed v floating	Single currency	740 days		1m, 2m, 3m, 4m, 5m, 6m,	Min 25 Max 190
Forward Rate Agreement	PLN	PLN WIBOR_WIBO	Fixed v floating	Single currency	740 days		1w, 2w, 1m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	740 days		1w, 1m, 2m, 3m, 6m, 9m, 1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 1y	Min 3 Max 375
Forward Rate Agreement	ZAR	ZAR-JIBAR-SAFEX	Fixed v floating	Single currency	740 days		1m, 3m, 6m, 9m, 1y	Min 3 Max 375

## ~~2. [ Intentionally Omitted ]~~

### ~~3.2. Additional FCM SwapClear Product Eligibility Criteria~~

~~3.2.1~~ A contract must also meet the following additional criteria to be eligible as an FCM SwapClear Transaction:

(a) *Day Count Fractions*

(See Article 4.16 of the “~~Annex~~” Annex to 2000 ISDA Definitions (June 2000 Version)~~”~~”, and Article 4.16 of the ISDA 2006 Definitions for definition)

- (i) The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2000 Definitions

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/365 (or Actual/Actual)	ACT/365.ISDA
Actual/Actual (ISMA)	ACT/ACT.ISMA

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction	MarkitWire/FpML Code
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/Actual	ACT/ACT.ISDA
30E/360 (ISDA)	30E/360.ISDA
Actual/Actual (ICMA)	ACT/ACT.ICMA

The Clearing House will only accept the following Day Count Fractions for Forward Rate Agreements. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction	MarkitWire/FpML Code	Currency
Actual/365 (Fixed)	ACT/365.FIXED	CAD, AUD, NZD, PLN, ZAR, GBP
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF

Fraction	SWIFT Code
Actual/365, Actual/Actual (See Article 4.16(b) for definition)	-ACT/365
Actual/365 (Fixed) (See Article 4.16(c) for definition)	-AFI/365

Actual/360 (See Article 4.16(d) for definition)	-ACT/360
30/360,360/360, Bond Basis (See Article 4.16(e) for definition)	360/360
30E/360 (See Article 4.16(f) for definition)	30E/360

(b) ***Business Day Conventions***

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12 (i) of the ISDA 2000 Definitions and Article 4.12 (i) of the ISDA 2006 Definitions for definition)

Modified Following (see Article 4.12 (ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)

Preceding (see Article 4.12 (iii) of the ISDA 2000 Definitions and Article 4.12 (iii) of the ISDA 2006 Definitions for definition)

For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

- (i) fixed period end dates and the termination date
- (ii) float period end dates and the termination date

(c) ***Minimum and Maximum Residual Term of the Trade (Termination date – Today)***

Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.

Minimum Residual Term of trade:

Termination date - Today  $\geq$  1 + currency settlement lag

where currency settlement lag is:

1 day for EUR, USD, GBP and CAD denominated trades

2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

Maximum Residual Term of trade:

Termination date - Today  $\leq$  3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)

Termination date - Today  $\leq$  10,970 days for AUD, CAD, CHF & SEK (30 years)

Termination date – Today  $\leq$  14,620 days for JPY (40 years)

Termination date – Today  $\leq$  18,275 days for GBP, EUR & USD (50 years)

Maximum Residual Term to Maturity for Forward Rate Agreements

The maximum residual term to maturity for forward rate agreements is as follows:

Currency	Maximum Residual Term to Maturity
EUR, JPY, USD, GBP	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

(d) ***Designated Maturity***

The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.

(e) ***Calculation Periods***

(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)

The Clearing House will only accept non-standard Calculation Periods (~~“(“stub periods”)~~) at the start and/or the end of a contract.

For variable notional swaps the stub rate should be detailed either as a percentage (i.e., 5.5%), an interpolation (i.e., 1 month / 3 months) or as a designated maturity (i.e., 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq$  1 week for IRS and basis swap and  $\geq$  1 month for zero coupon swaps.

SwapClear also calculates floating periods subject to ~~“IMM~~ settlement dates as per ISDA definitions.

(f) ***Up-Front Fees – Eligibility of FCM SwapClear Transactions***

Any up-front fees due under an FCM SwapClear Transaction will form part of the first Variation Margin payment made in connection with such FCM SwapClear Transaction.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a Two-Day Currency where the up-front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.

A Backloaded Trade will not be eligible for clearing and will be rejected upon presentation in the event that it is presented after a Backload Registration Cycle and as a result would not be 'parked' for registration until the following Business Day and as a result of being 'parked' it would no longer be eligible for clearing under these criteria.

For the purposes of this paragraph (f):

- “One-Day Currency” means GBP, USD, CAD or EUR; and
- “Two-Day Currency” means any other eligible currency.

**~~SCHEDULE B – FCM FOREX CLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY  
CRITERIA~~**

**SCHEDULE 2PART A**  
**FCM ENCLEAR**

**PART A**  
**FCM ~~FOREXEN~~CLEAR CONTRACT TERMS**

Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these "**Contract Terms**") which shall comprise:

Interpretation and Definitions;

(3) Economic Terms;

(4) Specific Standard Terms\*; and

(5) General Standard Terms

Section 1. **Interpretation and Definitions: General**

1.1 [This section has been removed.]

1.2 Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the "FCM Rulebook" of the Clearing House (as defined in the Clearing House's "FCM Regulations").

1.3 The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non-receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.

1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

1.5 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

1.6 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

4.4 1.7 "**US Business Day**" means a day upon which banks in the United States of America are generally open to settle payments and for general business. "**UK Business Day**" means a day upon which banks in England and Wales are generally open to settle payments and for general business.

**Section 2. Economic Terms**

- 2.1 The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.
- 2.2 It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.
- 2.3 The Economic Terms comprise:
- (a) Fixed Rate Payer or seller;
  - (b) Floating Rate Payer or buyer;
  - (c) Contract;
  - (d) Contract Series;
  - (e) Quantity;
  - (f) Delivery Period (where applicable);
  - (g) Fixed Price or Traded Price (as the case may be);
  - (h) Floating Price (where applicable).

**PROVIDED, however, that,** as set out in FCM Regulation 38 (*Registration of FCM EnClear Contracts*) where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller ("**the First EnClear Clearing Member**") with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer ("**the Second EnClear Clearing Member**") the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.

**Section 3. Specific Standard Terms For FCM EnClear Contracts**

[Sections 3.1 and 3.2 no longer in force]

**3.3 LCH EnClear OTC Services: Energy Division**

[Section 3.3 not applicable to the FCM EnClear Service]



### 3.4 LCH EnClear OTC Services: Freight Division

Clause 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; **provided, that** for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.

### 3.5 LCH EnClear OTC Services: Precious Metals Division

[Section 3.5 not applicable to the FCM EnClear Service]

## ~~Section 3~~Section 4. General Standard Terms

### 4A. The following General Standard Terms apply to all FCM EnClear Contracts:

#### 4A.1 Payment of Stamp Tax and Other Taxes

- (a) All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.
- (b) The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- (c) The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.

#### 4A.2 Payment of Stamp Tax

The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party 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.

The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.

#### 4A.3 Payments under an FCM EnClear Contract

The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.

Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.

#### **4A.4 FCM Regulations**

This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

#### **4A.5 Governing Law**

This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### **4A.6 Third Party Rights**

A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.

4B. [Section 4B not applicable to the FCM EnClear Service]

4C. The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):

##### **4C.1 Unavailability of any Reference Price**

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.

**4C.2 Calculation Agent**

The Calculation Agent is the Clearing House.

**4C.3 Change in Route**

In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.

**PART B**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN FCM**  
**ENCLEAR CONTRACT**

**1. FCM EnClear Transactions**

**1.1 FCM EnClear Product Eligibility Criteria for FCM EnClear Transactions**

**1.2.1 [This section has been removed]**

**1.2.2 [This section has been removed]**

**1.2.3 Product Eligibility Criteria for FCM EnClear Transactions in the Freight Division**

**The parts of Clause 1.2.3 of Part B of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations relating to the Freight Division are incorporated herein by reference; **provided, that** for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.**

**SCHEDULE 3**  
**FCM FOREXCLEAR**

**PART A**  
**FCM FOREXCLEAR CONTRACT TERMS**

The terms of a registered FCM ForexClear Contract shall include these FCM ForexClear Contract Terms which shall comprise:

- ~~(1)~~ Interpretation;
- ~~(1)~~ ~~(2)~~ Economic Terms; and
- ~~(2)~~ ~~(3)~~ Standard Terms, being both the:
  - A. Specific Standard Terms; and
  - B. General Standard Terms

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM ForexClear Contract Terms applicable to an FCM ForexClear Contract to calculate the amounts due under the FCM ForexClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.

**1. Interpretation (~~“Interpretation”~~)**

- 1.1 ~~“ISDA Definitions”~~ means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (~~“ISDA”~~), the Emerging Markets Trade Association (~~“EMTA”~~) and The Foreign Exchange Committee (~~“FXC”~~) and the same are incorporated by reference herein.
- 1.2 Words and expressions used in these FCM ForexClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.
- 1.3 In the event of an inconsistency, the FCM Regulations and the FCM Procedures will prevail over the ISDA Definitions.
- 1.4 References in the ISDA Definitions to an ~~“FX Transaction”~~ shall be deemed to be references to an ~~“FCM ForexClear Transaction”~~ for the purposes of the FCM ForexClear Service.
- 1.5 Except where expressly stated otherwise, all reference to ~~“Sections”~~ means Sections in the ISDA Definitions.
- 1.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice

delivered to the FCM ForexClear Clearing Members, give directions as to whether such amendment shall apply to FCM ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (**provided that** in any event any such amendment shall only apply in relation to FCM ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).

1.7 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear Contracts going forward, these FCM ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear Contracts registered in an FCM ForexClear Clearing Member's name prior to the time such amendment comes into effect.

1.8 The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## 2. Economic Terms

2.1 The Economic Terms of an FCM ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear Transaction.

2.2 The particulars of an FCM ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:

~~(4)~~ (1) Trade Date (Section 1.25)

~~(2)~~ (2) Forward Rate (Section 2.1(a))

~~(3)~~ (3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD

~~(4)~~ (4) Reference Currency Buyer (Section 1.20)

~~(5)~~ (5) Reference Currency Seller (Section 1.22)

~~(6)~~ (6) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)

~~(7)~~ (7) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).

2.3 However, as set out more particularly in FCM Regulation ~~4038~~, where the FCM ForexClear Transaction specifies an FCM ForexClear Clearing Member as the Reference Currency Seller, with the other FCM ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each FCM ForexClear Contract to which it is party pursuant to the corresponding FCM ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such FCM ForexClear Contract, respectively.

### 3. **Specific Standard Terms (~~“(“Specific Standard Terms”)~~)**

The following terms are designated as Specific Standard Terms of a registered FCM ForexClear Contract:

3.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA (~~www.emta.org~~www.emta.org or any successor website on the relevant Trade Date) (each an ~~“(EMTA Template”)~~), governs the terms of an FCM ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in ~~Part 2~~Clause 2 above and the Specific Standard Terms and the General Standard Terms set out in this ~~Part 3~~Clause 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

3.2 In the format ~~“(Reference Currency – Settlement Currency”)~~, the Currency Pairs are

~~(4)~~ (1) BRL-USD

~~(2)~~ (2) CLP-USD

~~(3)~~ (3) CNY-USD

~~(4)~~ (4) INR-USD

~~(5)~~ (5) KRW-USD

~~(6)~~ (6) RUB-USD

~~(7)~~ (7) COP-USD

~~(8)~~ (8) IDR-USD

~~(9)~~ (9) MYR-USD

~~(10)~~ (10) PHP-USD

~~(11)~~ (11) TWD-USD

3.3 Certain Specific Standard Terms of each FCM ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:

~~(4)~~ (1) Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

~~(2)~~ (2) Reference Currency (Section 1.19):

To be determined by using the EMTA Template appropriate to the particular Currency Pair.

Calculation Agent (Section 1.3):

~~(3)~~ (3) The Clearing House is the Calculation Agent.

3.4 If the terms of an EMTA Template conflict with these FCM ForexClear Contract Terms, these FCM ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

#### 4. **General Standard Terms** (~~“(“General Standard Terms”)~~)

The following terms are designated as General Standard Terms of a registered FCM ForexClear Contract:

##### 4.1 ***Business Days***

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract.

##### 4.2 ***Withholding Tax Provisions***

~~4.2.1~~ 4.2.1 All payments due under an FCM ForexClear Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

~~4.2.2~~ 4.2.2 All payments due under an FCM ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

##### 4.3 ***Payment of Stamp Tax***

Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any FCM ForexClear Contract to which it is a party 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 will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM ForexClear Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.

#### 4.4 Discontinuation of a Settlement Rate Option

(a) If:

(i) the administrator of a benchmark that is a Settlement Rate Option has publicly announced that it will discontinue publication of the benchmark ("**Discontinued Rate**"); and

(ii) ISDA has published a "Multilateral Amendment Agreement" to amend certain transactions to use an alternative benchmark ("**Substitute Rate**") in the lieu of the Discontinued Rate on and from a specified date ("**Effective Date**").

then, in respect of an FCM ForexClear Contract in respect of which a settlement rate has not been determined as at the Effective Date and which references the Discontinued Rate ("**Affected FCM ForexClear Contract**"), the Clearing House may, by written notice to all FCM ForexClear Clearing Members, amend the Settlement Rate Option of each Affected FCM ForexClear Contract to reference the Substitute Rate with effect on and from the Effective Date and specify such incidental amendments to the Affected FCM ForexClear Contract as may be required.

The terms "ISDA", "Settlement Rate Option" and "Valuation Date" have the meanings given to them by the FCM ForexClear Contract Terms.

(b) The accidental omission to give notice under this provision to, or the non-receipt of notice by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

#### 4.44.5 Payments under an FCM ForexClear Contract

Payments under, and in respect of, an FCM ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM ForexClear Clearing Member in accordance with the provisions of the FCM Procedures.

#### 4.54.6 FCM Regulations

An FCM ForexClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM ForexClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.

#### 4.64.7 Governing Law

Each FCM ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles

of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### **4.74.8 Third Party Rights**

A person who is not a party to this FCM ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM ForexClear Contract are expressly excluded.

Part B

**PART B**  
**REGISTRATION OF AN FCM FOREXCLEAR CONTRACT - PRODUCT  
 ELIGIBILITY CRITERIA**

**1. Registration of an FCM ForexClear Contract**

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;
- (b) each party to the transaction is an Executing Party; and
- (c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

**2. FCM ForexClear Product Eligibility Criteria for an FCM ForexClear Contract**

<b>Instrument</b>	Non-Deliverable FX Transaction
<b>Economic Terms</b>	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
<b>Reference Currency</b>	One of: <ul style="list-style-type: none"> <li>1.- ___ BRL – Brazilian Real,</li> <li>2.- ___ RUB – Russian Rouble,</li> <li>3.- ___ INR – Indian Rupee,</li> <li>4.- ___ CLP – Chilean Peso,</li> <li>5.- ___ CNY – Chinese Yuan,</li> <li>6.- ___ KRW – South Korean Won,</li> <li>7.- ___ COP – Colombian Peso,</li> <li>8.- ___ IDR – Indonesian Rupiah,</li> <li>9.- ___ MYR – Malaysian Ringgit,</li> <li>10.- ___ PHP – Philippine Peso, or</li> </ul>

11.—      TWD – Taiwan Dollar.

<b>Valuation Date</b>	A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
<b>Settlement Date</b>	<p>A date falling:</p> <p>A.— <u>    </u> not earlier than the date falling three business days immediately following the Submission Date; and</p> <p>B.— <u>    </u> not later than the date falling two calendar years plus two business days immediately following the Submission Date, <b>provided that</b> in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template</p>
<b>Settlement Type</b>	Non-Deliverable
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House

**SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA****Part A****FCM EnClear Contract Terms**

~~Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these “Contract Terms”) which shall comprise:~~

- ~~(1) Interpretation and Definitions;~~
- ~~(2) Economic Terms;~~
- ~~(3) Specific Standard Terms\*<sup>2</sup>; and~~
- ~~(4) General Standard Terms~~

**~~Section 4 – Interpretation and Definitions: General~~**

~~4.1 [This section has been removed.]~~

~~4.2 Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the “FCM Rulebook” of the Clearing House (as defined in the Clearing House’s “FCM Regulations”).~~

~~4.3 The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.~~

~~4.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~4.5 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~4.6 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~4.7 “US Business Day” means a day upon which banks in the United States of America are generally open to settle payments and for general business. “UK Business Day” means a day upon which banks in England and Wales are generally open to settle payments and for general business.~~

**~~Section 5 — Economic Terms~~**

~~5.1 — The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

~~5.2 — It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.~~

~~5.3 — The Economic Terms comprise:~~

~~(a) — Fixed Rate Payer or seller;~~

~~(b) — Floating Rate Payer or buyer;~~

~~(c) — Contract;~~

~~(d) — Contract Series;~~

~~(e) — Quantity;~~

~~(f) — Delivery Period (where applicable);~~

~~(g) — Fixed Price or Traded Price (as the case may be);~~

~~(h) — Floating Price (where applicable).~~

~~PROVIDED, however, that, as set out in FCM Regulation 50 where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller (“the First EnClear Clearing Member”) with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer (“the Second EnClear Clearing Member”) the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.~~

**~~Section 6 — Specific Standard Terms For FCM EnClear Contracts~~**

~~{Sections 3.1 and 3.2 no longer in force}~~

**~~3.3 — LCH EnClear OTC Services: Energy Division~~**

~~{Section 3.3 not applicable to the FCM EnClear Service}~~

**~~3.4 — LCH EnClear OTC Services: Freight Division~~**

~~Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; provided, that for purposes of the~~

~~FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

### ~~3.5~~ ~~LCH EnClear OTC Services: Precious Metals Division~~

~~[Section 3.5 not applicable to the FCM EnClear Service]~~

## ~~Section 7~~ Section 5. ~~General Standard Terms~~

~~4A.~~ The following General Standard Terms apply to all FCM EnClear Contracts:

### ~~4.A.1~~ ~~Payment of Stamp Tax and Other Taxes~~

- ~~(a)~~ All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.
- ~~(b)~~ The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- ~~(c)~~ The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.

### ~~4.A.2~~ ~~Payment of Stamp Tax~~

~~The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party 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.~~

~~The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

### ~~4.A.3~~ ~~Payments under an FCM EnClear Contract~~

~~The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.~~

~~Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.~~



#### ~~4.A.4 — FCM Regulations~~

~~This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### ~~4.A.5 — Governing Law~~

~~This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~4.A.6 — Third Party Rights~~

~~A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.~~

~~4B. [Section 4B not applicable to the FCM EnClear Service]~~

~~4C. The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):~~

#### ~~4C.1 — Unavailability of any Reference Price~~

~~In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.~~

#### ~~4.C.2 — Calculation Agent~~

~~The Calculation Agent is the Clearing House.~~

#### ~~4.C.3 — Change in Route~~

~~In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.~~

## Part B

### **Product Eligibility Criteria for Registration of an FCM EnClear Contract**

#### **~~1. FCM EnClear Transactions~~**

~~(a)~~

#### **~~1.2 FCM EnClear Product Eligibility Criteria for FCM EnClear Transactions~~**

~~1.2.1 [This section has been removed]~~

~~1.2.2 [This section has been removed]~~

#### **~~1.2.3 Product Eligibility Criteria for FCM EnClear Transactions in the Freight Division~~**

~~The parts of Section 1.2.3 of Part B of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations relating to the Freight Division are incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

## Part A

### **FCM SwapClear Contract Terms**

~~The terms of a registered FCM SwapClear Contract shall include these FCM SwapClear Contract Terms which shall comprise:~~

- ~~(1) Interpretation; and~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms.~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM SwapClear Contract Terms applicable to an FCM SwapClear Contract to calculate the amounts due under the FCM SwapClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

### **~~3. Interpretation~~**

- ~~3.1 "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein and "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.~~
- ~~3.2 Words and expressions used in these FCM SwapClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the "ISDA 2000 Definitions" or the "ISDA 2006 Definitions" shall have the same meaning herein as in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the FCM SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply and where the FCM SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that FCM SwapClear Contract then those definitions will apply.~~
- ~~3.3 In the event of an inconsistency between the FCM Regulations and the FCM Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the FCM Regulations and FCM Procedures will prevail.~~
- ~~3.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to an "FCM SwapClear Transaction" for the purposes of SwapClear.~~
- ~~3.5 Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:
  - ~~(a) in relation to any amendments to either the ISDA 2000 Definitions and the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered to the FCM Clearing Members and the SwapClear Clearing Members, give directions as to whether such amendment shall apply to FCM SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;~~~~

- ~~(b) — any such notice may provide that the amendment to the ISDA 2000 Definitions and the ISDA 2006 Definitions may take effect so as to apply to FCM SwapClear Contracts registered in an FCM Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines; and~~
- ~~(c) — the accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, an FCM Clearing Member or a SwapClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

#### ~~4.3. Economic Terms~~

~~4.1 — The Economic Terms of an FCM SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

~~4.2 — It is part of the eligibility criteria for registration as an FCM SwapClear Contract that the particulars of an FCM SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps, the information described in either 2.3(i)(viii) or 2.3(i)(ix) below (but not both) must be provided.~~

~~4.3 — The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:~~

- ~~(a) — Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>12</sup>;~~
- ~~(b) — Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);~~
- ~~(c) — Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);~~
- ~~(d) — Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);~~
- ~~(e) — Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);~~
- ~~(f) — Additional Payments/Fees:
  - ~~(i) — the Payer of the Additional Payments/Fees (if any);~~~~

<sup>12</sup>— SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.

- ~~(ii) — the amount of the Additional Payments/Fees (specify zero if none).~~
- ~~(g) — Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);~~
- ~~(h) — Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);~~
- ~~(i) — Where Fixed Rate — Floating Rate Swap:
 
  - ~~(i) — Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);~~
  - ~~(ii) — Fixed Rate Payer Payment Dates;~~
  - ~~(iii) — Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction] [or Fixed Rate Payer Schedule]<sup>13</sup>;~~
  - ~~(iv) — Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);~~
  - ~~(v) — Floating Rate Payer Payment Dates;~~
  - ~~(vi) — Floating Rate Payer compounding dates (if applicable);~~
  - ~~(vii) — Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);~~
  - ~~(viii) — Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~

~~(Note: The details of each such option are as provided in the Procedures).~~
  - ~~(ix) — Designated Maturity (see Article 7.3(b) and Article 7.3 (b) of the ISDA 2006 Definitions of the “Annex to the 2000 ISDA Definitions (June 2000 Version)” for definition);~~
  - ~~(x) — Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>14</sup>;~~
  - ~~(xi) — Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~
  - ~~(xii) — Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).~~~~

<sup>13</sup>—~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The Fixed Rate must be greater than or equal to 0%.~~

<sup>14</sup>—~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

- ~~(j) — Where Floating Rate — Floating Rate Swap (“basis” swap):~~
- ~~(i) — Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):~~
    - ~~(a) — Floating Rate Payer Payment Dates;~~
    - ~~(b) — Floating Rate Payer compounding dates (if applicable);~~
    - ~~(c) — Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~

~~(Note: the details of each such option are as provided in the Procedures)~~
  - ~~(ii) — Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~
  - ~~(iii) — Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>15</sup>;~~
  - ~~(iv) — Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~
  - ~~(v) — Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition);~~
  - ~~(vi) — Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):~~
    - ~~(a) — Floating Rate Payer Payment Dates;~~
    - ~~(b) — Floating Rate Payer compounding dates (if applicable);~~
    - ~~(c) — Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~

~~(Note: The details of each such option are as provided in the Procedures)~~
  - ~~(vii) — Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~
  - ~~(viii) — Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>16</sup>;~~

<sup>15</sup> — SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- ~~(ix) — Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition); and~~
- ~~(x) — Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).~~

~~4.4 — The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:~~

- ~~(a) — Notional Amount (see Article 4.7 for definition);~~
- ~~(b) — Currency (see Article 1.7 for definition);~~
- ~~(c) — Trade Date (see Article 3.7 for definition);~~
- ~~(d) — Effective Date (see Article 3.2 for definition);~~
- ~~(e) — Termination Date (see Article 3.3 for definition);~~
- ~~(f) — Additional Payments/Fees:
  - ~~(i) — the Payer of the Additional Payments/Fees (if any);~~
  - ~~(ii) — the amount of the Additional Payments/Fees (specify zero if none);~~~~
- ~~(g) — Business Days (see Article 1.4 for definition);~~
- ~~(h) — Business Day Convention (see Article 4.12 for definition);~~
- ~~(i) — Fixed Rate Payer (see Article 2.1 for definition);~~
- ~~(j) — Fixed Rate Payer Payment Dates;~~
- ~~(k) — Fixed Rate;~~
- ~~(l) — Floating Rate Payer (see Article 2.2 for definition);~~
- ~~(m) — Floating Rate Payer Payment Dates;~~
- ~~(n) — Floating Rate Option (see Article 6.2(i) for definition);~~
- ~~(o) — Designated Maturity (see Article 7.3(b) for definition);~~
- ~~(p) — Spread (see Article 6.2(f) for definition);~~
- ~~(q) — Reset Dates (see Article 6.2(b) for definition);~~
- ~~(r) — Floating Rate Day Count Fraction (see Article 6.2(g) for definition);~~
- ~~(s) — FRA Discounting (see Article 8.4 (b) for definition);~~

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<sup>16</sup> — ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

~~(t) — Discount Rate (see Article 8.4. (c) for definition);~~

~~(u) — Discount Rate Day Count Fraction (see Article 8.4. (d) for definition); and~~

~~(v) — FRY Yield Discounting (see Article 8.4(e) for definition).~~

~~In respect of forward rate agreements either (s) or (v) but not both should be selected.~~

#### ~~4.5 — Financial Centers~~

~~Detail of the relevant financial center/s must be provided using the appropriate Markitwire/EpML code as set out below:~~

<del>Financial Center</del>	<del>Markitwire/EpML</del>
<del>Sydney</del>	<del>AUSY</del>
<del>Brussels</del>	<del>BEBR</del>
<del>Montreal</del>	<del>CAMO</del>
<del>Toronto</del>	<del>CATO</del>
<del>Geneva</del>	<del>CHGE</del>
<del>Zurich</del>	<del>CHZU</del>
<del>Prague</del>	<del>CZPR</del>
<del>Frankfurt</del>	<del>DEFR</del>
<del>Copenhagen</del>	<del>DKCO</del>
<del>Madrid</del>	<del>ESMA</del>
<del>Helsinki</del>	<del>FIHE</del>
<del>Paris</del>	<del>FRPA</del>
<del>London</del>	<del>GBLO</del>
<del>Hong Kong</del>	<del>HKHK</del>
<del>Budapest</del>	<del>HUBU</del>
<del>Milan</del>	<del>ITMI</del>
<del>Rome</del>	<del>ITRO</del>
<del>Tokyo</del>	<del>JPTO</del>
<del>Luxemburg</del>	<del>LULU</del>



<del>Financial Center</del>	<del>Markitwire/FpML</del>
<del>Amsterdam</del>	<del>NLAM</del>
<del>Oslo</del>	<del>NOOS</del>
<del>Auckland</del>	<del>NZAU</del>
<del>Wellington</del>	<del>NZWE</del>
<del>Stockholm</del>	<del>SEST</del>
<del>Chicago</del>	<del>USCH</del>
<del>Los Angeles</del>	<del>USLA</del>
<del>New York</del>	<del>USNY</del>
<del>Target/Euro</del>	<del>EUTA</del>
<del>Warsaw</del>	<del>PLWA</del>
<del>Singapore</del>	<del>SGSI</del>
<del>Johannesburg</del>	<del>ZAJO</del>

## ~~5. Standard Terms~~

~~The following terms are designated as Standard Terms of a registered FCM SwapClear Contract:~~

### ~~5.1 Business Days~~

~~In addition to the Business Days for the financial centers specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to an FCM SwapClear Contract.~~

### ~~5.2 Negative Interest Rates~~

~~The “Negative Interest Rate Method” as set out in Article 6.4(b) of the ISDA Definitions, will apply to an FCM SwapClear Contract.~~

### ~~5.3 Withholding Tax Provisions~~

~~All payments due under an FCM SwapClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~

#### ~~5.4 — Payment of Stamp Tax~~

~~Each FCM Clearing Member will pay any stamp tax or duty levied or imposed upon it in respect of any FCM SwapClear Contract to which it is a party 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 will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM SwapClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

#### ~~5.5 — Payments under an FCM SwapClear Contract~~

~~Payments under, and in respect of, an FCM SwapClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Procedures.~~

#### ~~5.6 — FCM Regulations~~

~~An FCM SwapClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM SwapClear Contract Terms and the FCM Regulations and the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### ~~5.7 — Governing Law~~

~~Each FCM SwapClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of law and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~5.8 — Third Party Rights~~

~~A person who is not a party to this FCM SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM SwapClear Contract are expressly excluded.~~

**Part B**

**Product Eligibility Criteria for Registration of an FCM SwapClear Contract**

**6. FCM SwapClear Transaction**

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the FCM SwapClear Product Eligibility Criteria for registration as an FCM SwapClear Transaction; and
- (b) each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

**6.2 FCM SwapClear Product Eligibility Criteria for an FCM SwapClear Transaction**

- (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below;

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>17</sup></b>	<b>Types</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>	
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		GBP-WMBA-SONIA-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	
		See Article 7.1w (vii) for definition	Floating vs. Floating			99,999,999.99
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
See Article 7.1(ab) (xxii) for		Floating vs. Floating			99,999,999.99	

<sup>17</sup>—References in this column are to the 2006 ISDA Definitions

Instrument	Acceptable Currencies	Acceptable Indices <sup>17</sup>	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
		definition				
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	
		See Article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999.999
		EUR-EURIBOR-Telerate				
		See Article 7.1(f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating		10,970 days	
		See Article 7.1(f)(viii) for definition				

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>17</sup></b>	<b>Types</b>		<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
Vanilla interest rate-swaps with constant notional principal	Australian Dollar (AUD)	AUD- BBR- BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01- 99,999,999.9 99.99
		See Article 7.1(a)-(iv) for definition	Floating vs. Floating			
		AUD- LIBOR- BBA				
		See Article 7.1(a)-(viii) for definition				
Vanilla interest rate-swaps with constant notional principal	Canadian Dollar (CAD)	CAD-BA- CDOR	Fixed vs. Floating	Single currency	10,970 days	0.01- 99,999,999.9 99.99
		See Article 7.1(b)-(ii) for definition	Floating vs. Floating			
		CAD- LIBOR- BBA				
		See Article 7.1(b)-(viii) for definition				
Vanilla interest rate-swaps with constant notional principal		CAD- CORRA- OIS- COMPOUND	Floating vs. Floating	Single currency	736 days	0.01- 99,999,999.9 99.99

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>17</sup></b>	<b>Types</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>	
		See Article 7.1(b)-(xii) for definition				
	Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99.99
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999.99.99
		See Article 7.1(e)-(i) for definition	Floating vs. Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e)-(ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999.99.99
		See Article 7.1(g)-(ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>17</sup></b>	<b>Types</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>	
		See Article 7.1(g)-(iii) for definition				
		HKD- HIBOR- ISDC				
		See Article 7.1(g)-(i) for definition				
	Hungarian Forint (HUF)	HUF- BUBOR- Reuters	FIXED vs. FLOAT	Single currency	3670 days	1- 10,000,000,000,000
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY- LIBOR- BBA	Fixed vs. Floating	Single currency	14620 days	1- 10,000,000,000,000
		See Article 7.1(l)-(iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD- BBR- Telerate	Fixed vs. Floating	Single currency	5495 days	0.01- 99,999,999,999.99
		See Article 7.1(p)-(iii) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD- BBR- FRA	Fixed vs. Floating	Single currency	5495 days	0.01- 99,999,999,999.99

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>17</sup></b>	<b>Types</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>	
		See Article 7.1(p)–(iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(q)–(i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	SGD-SOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(t)–(iii) for definition	Floating vs. Floating			
		SGD-SOR-VWAP	FIXED vs. FLOAT	Single Currency	3670 days	0.01-99,999,999,999.99
		See Procedure 2A.7.12(v) for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(x)–(i) for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99



<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Indices<sup>17</sup></b>	<b>Types</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>	
		See Article 7.1(y)-(ii) for definition				
		CHF-TOIS_OIS = COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(y)-(iv) for definition	Floating vs. Floating			
	Polish Zloty(PLN )	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		WIBOR-WIBO				
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v(i) for definition	FLOAT vs. FLOAT			

(b) — Variable notional swaps having the characteristics set out in the table below;

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min–Max of the relevant currency unit)</b>
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,275 Days	

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Zero Coupon Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Zero Coupon Swap	Single currency	18,275 Days	

(c) — Forward rate agreements having the characteristics set out in the table below;

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min-Max of the relevant currency unit)</b>	<b>FRA Tenors</b>	<b>Minimum and Maximum FRA Terms (Days)</b>
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed-v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m	Min-25 Max-190
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed-v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-25 Max-375
Forward Rate Agreement	CAD	CAD-BA-CBOR	Fixed-v floating	Single currency	740 days		1m,2m,3m,6m,1y	Min-25 Max-375

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	CHF	CHF-LIBOR-BBA	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	CZK	CZK-PIBOR-PRBO	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	DKK	DKK-CIBOR2-DKNA13	Fixed-v floating	Single currency	740 days		1w,1m,2m,3m,4m,5m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	EUR	EUR-LIBOR-BBA	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	EUR	EUR-EURIBOR-REUTERS	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,6m,9m,1y	Min-3 Max-375
Forward Rate Agreement	GBP	GBP-LIBOR-BBA	Fixed-v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10,11m,1y	Min-3 Max-375
Forward Rate Agreement	HUF	HUF-BUBOR-REUTERS	Fixed-v floating	Single currency	740 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min-3 Max-375
Forward Rate Agreement	JPY	JPY-LIBOR	Fixed-v floating	Single	1105		1w,2w,1m,2m,3	Min-3

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)	FRA Tenors	Minimum and Maximum FRA Terms (Days)
Agreement		BBA	floating	currency	days		m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Max 375
Forward Rate Agreement	NOK	NOK-NIBOR-NIBR	Fixed v floating	Single currency	740 days		1w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min 3 Max 375
Forward Rate Agreement	NZD	NZD BBR-FRA	Fixed v floating	Single currency	740 days		1m,2m,3m,4m,5m,6m,7m	Min 25 Max 190
Forward Rate Agreement	PLN	PLN WIBOR_WIBO	Fixed v floating	Single currency	740 days		1w,2w,1m,3m,6m,9m,1y	Min 3 Max 375
Forward Rate Agreement	SEK	SEK-STIBOR-SIDE	Fixed v floating	Single currency	740 days		1w,1m,2m,3m,6m,9m,1y	Min 3 Max 375
Forward Rate Agreement	USD	USD-LIBOR-BBA	Fixed v floating	Single currency	1105 days		1w,2w,1m,2m,3m,4m,5m,6m,7m,8m,9m,10m,11m,1y	Min 3 Max 375
Forward Rate Agreement	ZAR	ZAR-JIBAR-SAFEX	Fixed v floating	Single currency	740 days		1m,3m,6m,9m,1y	Min 3 Max 375

~~7. [ Intentionally Omitted ]~~

~~8. Additional FCM SwapClear Product Eligibility Criteria~~

~~8.1 A contract must also meet the following additional criteria to be eligible as an FCM SwapClear Transaction:~~

~~(a) Day Count Fractions~~

~~(See Article 4.16 of the “Annex to 2000 ISDA Definitions (June 2000 Version)”, and Article 4.16 of the ISDA 2006 Definitions for definition)~~

- (i) ~~The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:~~

**Day Count Fractions using the ISDA 2000 Definitions**

<b>Day Count Fraction</b>	<b>MarkitWire/FpML Code</b>
<del>30/360 (or Bond Basis)</del>	<del>30/360</del>
<del>30E/360 (or Eurobond Basis)</del>	<del>30E/360</del>
<del>Actual/360</del>	<del>ACT/360</del>
<del>Actual/365 (Fixed)</del>	<del>ACT/365.FIXED</del>
<del>Actual/365 (or Actual/Actual)</del>	<del>ACT/365.ISDA</del>
<del>Actual/Actual (ISMA)</del>	<del>ACT/ACT.ISMA</del>

**Day Count Fractions using the ISDA 2006 Definitions:**

<b>Day Count Fraction</b>	<b>MarkitWire/FpML Code</b>
<del>30/360 (or Bond Basis)</del>	<del>30/360</del>
<del>30E/360 (or Eurobond Basis)</del>	<del>30E/360</del>
<del>Actual/360</del>	<del>ACT/360</del>
<del>Actual/365 (Fixed)</del>	<del>ACT/365.FIXED</del>
<del>Actual/Actual</del>	<del>ACT/ACT.ISDA</del>
<del>30E/360 (ISDA)</del>	<del>30E/360.ISDA</del>
<del>Actual/Actual (ICMA)</del>	<del>ACT/ACT.ICMA</del>

~~The Clearing House will only accept the following Day Count Fractions for Forward Rate Agreements. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:~~

**Day Count Fractions using the ISDA 2006 Definitions:**

<b>Day Count Fraction</b>	<b>MarkitWire/FpML Code</b>	<b>Currency</b>
<del>Actual/365 (Fixed)</del>	<del>ACT/365.FIXED</del>	<del>CAD, AUD, NZD, PLN, ZAR, GBP</del>
<del>Actual/360</del>	<del>ACT/360</del>	<del>USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF</del>

<b>Fraction</b>	<b>SWIFT Code</b>
<del>Actual/365, Actual/Actual</del>	<del>-ACT/365</del>
<del>(See Article 4.16(b) for definition)</del>	

<b>Fraction</b>	<b>SWIFT Code</b>
<del>Actual/365 (Fixed)</del>	<del>AFI/365</del>
<del>(See Article 4.16(c) for definition)</del>	
<del>Actual/360</del>	<del>ACT/360</del>
<del>(See Article 4.16(d) for definition)</del>	
<del>30/360, 360/360, Bond Basis</del>	<del>360/360</del>
<del>(See Article 4.16(e) for definition)</del>	
<del>30E/360</del>	<del>30E/360</del>
<del>(See Article 4.16(f) for definition)</del>	

~~(b) — Business Day Conventions~~

~~The Business Day Convention specified in the Economic Terms must be one of the following:~~

~~Following (see Article 4.12 (i) of the ISDA 2000 Definitions and Article 4.12 (i) of the ISDA 2006 Definitions for definition)~~

~~Modified Following (see Article 4.12 (ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)~~

~~Preceding (see Article 4.12 (iii) of the ISDA 2000 Definitions and Article 4.12 (iii) of the ISDA 2006 Definitions for definition)~~

~~For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:~~

~~(i) — fixed period end dates and the termination date~~

~~(ii) — float period end dates and the termination date~~

~~(c) — Minimum and Maximum Residual Term of the Trade (Termination date — Today)~~

~~Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.~~

~~Minimum Residual Term of trade:~~

~~Termination date — Today  $\geq$  1 + currency settlement lag~~

~~where currency settlement lag is:~~

~~1 day for EUR, USD, GBP and CAD denominated trades~~

~~2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades~~

~~Maximum Residual Term of trade:~~

~~Termination date—Today  $\leq$  3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)~~

~~Termination date—Today  $\leq$  10,970 days for AUD, CAD, CHF & SEK (30 years)~~

~~Termination date—Today  $\leq$  14,620 days for JPY (40 years)~~

~~Termination date—Today  $\leq$  18,275 days for GBP, EUR & USD (50 years)~~

~~Maximum Residual Term to Maturity for Forward Rate Agreements~~

~~The maximum residual term to maturity for forward rate agreements is as follows:~~

<u>Currency</u>	<u>Maximum Residual Term to Maturity</u>
EUR, JPY, USD, GBP	1105 days (3 years)
AUD, CAD, CHF, DKK, NOK, NZD, PLN, SEK, ZAR, CZK, HUF	740 days (2 years)

~~(d) — Designated Maturity~~

~~The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.~~

~~(e) — Calculation Periods~~

~~(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)~~

~~The Clearing House will only accept non-standard Calculation Periods (“*stub periods*”) at the start and/or the end of a contract.~~

~~For variable notional swaps the stub rate should be detailed either as a percentage (*i.e.*, 5.5%), an interpolation (*i.e.*, 1 month / 3 months) or as a designated maturity (*i.e.*, 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.~~

~~For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.~~

~~The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq$  1 week for IRS and basis swap and  $\geq$  1 month for zero coupon swaps.~~

~~SwapClear also calculates floating periods subject to ‘IMM’ settlement dates as per ISDA definitions.~~

~~(f) — Up-Front Fees — Eligibility of FCM SwapClear Transactions~~



~~Any up-front fees due under an FCM SwapClear Transaction will form part of the first Variation Margin payment made in connection with such FCM SwapClear Transaction.~~

~~FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a One Day Currency where the up front fee is due to settle on the day of registration are not eligible for clearing.~~

~~FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a Two Day Currency where the up front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.~~

~~A Backloaded Trade will not be eligible for clearing and will be rejected upon presentation in the event that it is presented after a Backload Registration Cycle and as a result would be 'parked' for registration until the following Business Day and as a result of being 'parked' it would no longer be eligible for clearing under these criteria.~~

~~For the purposes of this paragraph (f):~~

~~"One Day Currency" means GBP, USD, CAD or EUR.~~

~~"Two Day Currency" means any other eligible currency.~~

**~~SCHEDULE B — FCM FOREXCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA~~****~~Part A~~****~~FCM ForexClear Contract Terms~~**

~~The terms of a registered FCM ForexClear Contract shall include these FCM ForexClear Contract Terms which shall comprise:~~

- ~~(1) Interpretation;~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms, being both the:
  - ~~A. Specific Standard Terms; and~~
  - ~~B. General Standard Terms~~~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the FCM ForexClear Contract Terms applicable to an FCM ForexClear Contract to calculate the amounts due under the FCM ForexClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

**~~9. Interpretation (“Interpretation”)~~**

- ~~9.1 “ISDA Definitions” means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), the Emerging Markets Trade Association (“EMTA”) and The Foreign Exchange Committee (“FXC”) and the same are incorporated by reference herein.~~
- ~~9.2 Words and expressions used in these FCM ForexClear Contract Terms which are not defined in the FCM Regulations and the FCM Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.~~
- ~~9.3 In the event of an inconsistency, the FCM Regulations and the FCM Procedures will prevail over the ISDA Definitions.~~
- ~~9.4 References in the ISDA Definitions to an “FX Transaction” shall be deemed to be references to an “FCM ForexClear Transaction” for the purposes of the FCM ForexClear Service.~~
- ~~9.5 Except where expressly stated otherwise, all reference to “Sections” means Sections in the ISDA Definitions.~~
- ~~9.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the FCM ForexClear Clearing Members, give directions as to whether~~

~~such amendment shall apply to FCM ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in relation to FCM ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).~~

~~9.7 Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to FCM ForexClear Contracts going forward, these FCM ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with FCM ForexClear Contracts registered in an FCM ForexClear Clearing Member's name prior to the time such amendment comes into effect.~~

~~9.8 The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any FCM ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

#### ~~10. Economic Terms~~

~~10.1 The Economic Terms of an FCM ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM ForexClear Transaction.~~

~~10.2 The particulars of an FCM ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:~~

~~(4) Trade Date (Section 1.25)~~

~~(5) Forward Rate (Section 2.1(a))~~

~~(6) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD~~

~~(7) Reference Currency Buyer (Section 1.20)~~

~~(8) Reference Currency Seller (Section 1.22)~~

~~(9) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)~~

~~(10) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).~~

~~10.3 However, as set out more particularly in FCM Regulation 40, where the FCM ForexClear Transaction specifies an FCM ForexClear Clearing Member as the Reference Currency Seller, with the other FCM ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each FCM ForexClear Contract to which it is party pursuant to the corresponding FCM ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such FCM ForexClear Contract, respectively.~~

#### ~~11. Specific Standard Terms ("Specific Standard Terms")~~

~~The following terms are designated as Specific Standard Terms of a registered FCM ForexClear Contract:~~

~~11.1 The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an "EMTA Template")), governs the terms of an FCM ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.~~

~~11.2 In the format "Reference Currency—Settlement Currency", the Currency Pairs are~~

~~(1) BRL-USD~~

~~(2) CLP-USD~~

~~(3) CNY-USD~~

~~(4) INR-USD~~

~~(5) KRW-USD~~

~~(6) RUB-USD~~

~~(7) COP-USD~~

~~(8) IDR-USD~~

~~(9) MYR-USD~~

~~(10) PHP-USD~~

~~(11) TWD-USD~~

~~11.3 Certain Specific Standard Terms of each FCM ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding FCM ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each FCM ForexClear Contract:~~

~~(12) Date of Annex A (Section 4.2):~~

~~Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.~~

~~(13) Reference Currency (Section 1.19):~~

~~To be determined by using the EMTA Template appropriate to the particular Currency Pair.~~

~~Calculation Agent (Section 1.3):~~

~~(14) The Clearing House is the Calculation Agent.~~

~~11.4 If the terms of an EMTA Template conflict with these FCM ForexClear Contract Terms, these FCM ForexClear Contract Terms shall prevail. If the terms of an EMTA~~

~~Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.~~

## ~~12. General Standard Terms (“General Standard Terms”)~~

~~The following terms are designated as General Standard Terms of a registered FCM ForexClear Contract:~~

### ~~12.1 Business Days~~

~~For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the FCM Procedures) from time to time, will apply to an FCM ForexClear Contract.~~

### ~~12.2 Withholding Tax Provisions~~

~~12.2.1 All payments due under an FCM ForexClear Contract shall be made by the FCM ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the FCM ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~12.2.2 All payments due under an FCM ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the FCM ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

### ~~12.3 Payment of Stamp Tax~~

~~Each FCM ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any FCM ForexClear Contract to which it is a party 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 will indemnify the Clearing House against any stamp tax or duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM ForexClear Contract registered by the Clearing House and to which that FCM ForexClear Clearing Member is a party.~~

### ~~12.4 Payments under an FCM ForexClear Contract~~

~~Payments under, and in respect of, an FCM ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM ForexClear Clearing Member in accordance with the provisions of the FCM Procedures.~~

#### ~~12.5—FCM Regulations~~

~~An FCM ForexClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM ForexClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### ~~12.6—Governing Law~~

~~Each FCM ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~12.7—Third Party Rights~~

~~A person who is not a party to this FCM ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this FCM ForexClear Contract are expressly excluded.~~

Part B~~Registration of an FCM ForexClear Contract—Product Eligibility Criteria~~**13. Registration of an FCM ForexClear Contract**

~~Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:~~

- ~~(a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for an FCM ForexClear Transaction;~~
- ~~(b) each party to the transaction is an Executing Party; and~~
- ~~(c) the FCM ForexClear Clearing Member in whose name the FCM ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.~~

~~and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.~~

**14. FCM ForexClear Product Eligibility Criteria for an FCM ForexClear Contract**

<b>Instrument</b>	<del>Non-Deliverable FX Transaction</del>
<b>Economic Terms</b>	<del>The transaction particulars submitted to the Clearing House specify all the Economic Terms.</del>
<b>Reference Currency</b>	<del>One of</del>
	<del>-1. BRL—Brazilian Real,</del>
	<del>-2. RUB—Russian Rouble,</del>
	<del>-3. INR—Indian Rupee,</del>
	<del>-4. CLP—Chilean Peso,</del>
	<del>-5. CNY—Chinese Yuan,</del>
	<del>-6. KRW—South Korean Won,</del>
	<del>-7. COP—Colombian Peso,</del>
	<del>-8. IDR—Indonesian Rupiah,</del>
	<del>-9. MYR—Malaysian Ringgit,</del>
	<del>-10. PHP—Philippine Peso, or</del>
	<del>-11. TWD—Taiwan Dollar.</del>
<b>Valuation Date</b>	<del>A valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.</del>

<b>Settlement Date</b>	<del>A date falling:</del>
	<del>A. not earlier than the date falling three business days immediately following the Submission Date; and</del>
	<del>B. not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the FCM ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the FCM Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template</del>
<b>Settlement Type</b>	<del>Non-Deliverable</del>
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House



**SCHEDULE C – FCM ENCLEAR CONTRACT TERMS AND PRODUCT ELIGIBILITY CRITERIA****Part A****FCM EnClear Contract Terms**

~~Where an FCM EnClear Contract arises between the Clearing House and an FCM Clearing Member pursuant to the FCM Rulebook and the terms of any agreement between them, the terms of a registered FCM EnClear Contract shall include these FCM EnClear Contract Terms (these “Contract Terms”) which shall comprise:~~

~~(5) Interpretation and Definitions;~~

~~(6) Economic Terms;~~

~~(7) Specific Standard Terms\*<sup>2</sup>; and~~

~~(8) General Standard Terms~~

**~~Section 8 – Interpretation and Definitions: General~~**

~~8.1 [This section has been removed.]~~

~~8.2 Words and expressions used in these FCM EnClear Contract Terms shall have the same meaning as in the “FCM Rulebook” of the Clearing House (as defined in the Clearing House’s “FCM Regulations”).~~

~~8.3 The accidental omission to give any notice which may be required under the FCM Rulebook for the amendment of these Contract Terms, or the non receipt of any such notice by any FCM Clearing Member shall not invalidate the amendment with which such notice is concerned.~~

~~8.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~8.5 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~8.6 Subject to the FCM Regulations and the FCM Procedures, the Clearing House will use the relevant FCM EnClear Contract Terms applicable to an FCM EnClear Contract to calculate the amounts due under the FCM EnClear Contract to, or from, the Clearing House in accordance with the FCM Procedures.~~

~~8.7 “US Business Day” means a day upon which banks in the United States of America are generally open to settle payments and for general business. “UK Business Day” means a day upon which banks in England and Wales are generally open to settle payments and for general business.~~

**~~Section 9~~Section 6. Economic Terms**

~~9.16.1 The Economic Terms of an FCM EnClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding FCM EnClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

~~9.26.2 It is part of the eligibility criteria for registration as an FCM EnClear Contract that the particulars of an FCM EnClear Transaction presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the FCM Procedures.~~

~~9.36.3 The Economic Terms comprise:~~

- ~~(a) Fixed Rate Payer or seller;~~
- ~~(b) Floating Rate Payer or buyer;~~
- ~~(c) Contract;~~
- ~~(d) Contract Series;~~
- ~~(e) Quantity;~~
- ~~(f) Delivery Period (where applicable);~~
- ~~(g) Fixed Price or Traded Price (as the case may be);~~
- ~~(h) Floating Price (where applicable).~~

~~PROVIDED, however, that, as set out in FCM Regulation 50 where the FCM EnClear Transaction specifies an FCM Clearing Member as the party paying the Fixed Price or being the seller (“the First EnClear Clearing Member”) with the other FCM Clearing Member (or LCH EnClear OTC Clearing Member, as the case may be) as the party paying the Floating Price or being the buyer (“the Second EnClear Clearing Member”) the Clearing House, in respect of each FCM EnClear Contract it is party to pursuant to the corresponding FCM EnClear Transaction, shall be (i) the party paying the Floating Price or the buyer to the First EnClear Clearing Member under the FCM EnClear Contract; and (ii) the party paying the Fixed Price or seller to the Second EnClear Clearing Member under the FCM EnClear Contract.~~

**~~Section 10 Specific Standard Terms For FCM EnClear Contracts~~**

~~{Sections 3.1 and 3.2 no longer in force}~~

**~~3.5 LCH EnClear OTC Services: Energy Division~~**

~~{Section 3.3 not applicable to the FCM EnClear Service}~~

**~~3.6 LCH EnClear OTC Services: Freight Division~~**

~~Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations is incorporated herein by reference; provided, that for purposes of the~~

~~FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.~~

### ~~3.5 — LCH EnClear OTC Services: Precious Metals Division~~

~~{Section 3.5 not applicable to the FCM EnClear Service}~~

## ~~Section 11 — General Standard Terms~~

~~4A. — The following General Standard Terms apply to all FCM EnClear Contracts:~~

### ~~4.A.1 — Payment of Stamp Tax and Other Taxes~~

- ~~(d) — All payments due under an FCM EnClear Contract shall be made by the FCM Clearing Member free and clear and without deduction or withholding for or on account of any tax.~~
- ~~(e) — The Clearing House shall make any payments due to an FCM Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~
- ~~(f) — The FCM Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this FCM EnClear Contract.~~

### ~~4.A.2 — Payment of Stamp Tax~~

- ~~— The FCM Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any FCM EnClear Contract to which it is a party 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.~~
- ~~— The FCM Clearing Member shall indemnify the Clearing House against any stamp tax or other duty levied or imposed upon the Clearing House by any such jurisdiction in respect of any FCM EnClear Contract registered by the Clearing House and to which that FCM Clearing Member is a party.~~

### ~~4.A.3 — Payments under an FCM EnClear Contract~~

- ~~— The Clearing House shall, unless specified otherwise in the FCM Procedures, effect daily settlement to market of open FCM EnClear Contracts in accordance with the FCM Regulations. Any Reference Price shall be determined in accordance with the FCM Regulations and the FCM Procedures.~~
- ~~— Payments under, and in respect of, an FCM EnClear Contract shall be calculated by the Clearing House and shall be made by, or to, the FCM Clearing Member in accordance with the provisions of the FCM Regulations and the FCM Procedures.~~

#### **4.A.4 — FCM Regulations**

~~This FCM EnClear Contract shall be subject to the FCM Regulations and the FCM Procedures, which shall form a part of its terms. In the event of any inconsistency between these FCM EnClear Contract Terms and the FCM Regulations and/or the FCM Procedures, the FCM Regulations and the FCM Procedures will prevail.~~

#### **4.A.5 — Governing Law**

~~This FCM EnClear Contract shall be governed by and construed in accordance with the laws of the State of New York in the United States of America without regard to principles of conflicts of laws and the parties hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of Americas, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise herefrom. The FCM Clearing Member party to this FCM EnClear Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of Americas, the United states District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### **4.A.6 — Third Party Rights**

~~A person who is not a party to this FCM EnClear Contract shall have no rights under or in respect of this FCM EnClear Contract. Rights of third parties to enforce any terms of this FCM EnClear Contract are expressly excluded.~~

~~4B. [Section 4B not applicable to the FCM EnClear Service]~~

~~4C. The following Standard Terms apply only in respect of FCM EnClear Contracts arising from FCM EnClear Transactions (Freight Division):~~

#### **4C.1 — Unavailability of any Reference Price**

~~In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.~~

#### **4.C.2 — Calculation Agent**

~~The Calculation Agent is the Clearing House.~~

#### **4.C.3 — Change in Route**

~~In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.~~

## **Part B**

### **Product Eligibility Criteria for Registration of an FCM EnClear Contract**

#### **2. FCM EnClear Transactions**

**(a)**

#### **2.2 FCM EnClear Product Eligibility Criteria for FCM EnClear Transactions**

**2.2.1** [This section has been removed]

**2.2.2** [This section has been removed]

#### **2.2.3 Product Eligibility Criteria for FCM EnClear Transactions in the Freight Division**

The parts of Section 1.2.3 of Part B of the Schedule to the LCH EnClear OTC Regulations in the UK General Regulations relating to the Freight Division are incorporated herein by reference; provided, that for purposes of the FCM Regulations, (i) references therein to LCH EnClear OTC Contracts shall instead be to FCM EnClear Contracts and (ii) references therein to an Eligible OTC Trade shall instead be to an FCM EnClear Transaction.

**LCH.Clearnet Rule Submission**

**Exhibit 5  
Black-line of changes to Default Rules**



LCH.CLEARNET LIMITED  
DEFAULT RULES

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## CONTENTS

<u>Rule</u>	<u>Page</u>
<b><u>DEFAULT RULES</u></b> .....	<b><u>1</u></b>
<u>Reduction of Losses on Default</u> .....	<u>13</u>
<u>Terms on which Contribution is held</u> .....	<u>15</u>
<u>Application of Defaulter's Contribution and Certification of Aggregate Excess Losses</u> 16	<u>16</u>
<u>Application of Fund and Indemnity</u> .....	<u>17</u>
<u>Effect of cessation of Clearing Member status</u> .....	<u>19</u>
<u>Schedule 1 Client Clearing Annex</u> .....	<u>21</u>
<u>Schedule 2 Swapclear DMP Annex</u> .....	<u>30</u>
<u>Schedule 3 Forexclear DMP Annex</u> .....	<u>46</u>
<u>Schedule 4 Repoclear DMP Annex</u> .....	<u>61</u>
<u>Schedule 5 ForexClear Default Fund Supplement</u> .....	<u>72</u>
<u>Schedule 6 SwapClear Default Fund Supplement</u> .....	<u>87</u>
<u>Schedule 7 RepoClear Default Fund Supplement</u> .....	<u>104</u>
<u>Schedule 8 Equities Default Fund Supplement</u> .....	<u>116</u>
<u>Schedule 9 Commodities Default Fund Supplement</u> .....	<u>128</u>
<u>Schedule 10 Listed Interest Rate Default Fund Supplement</u> .....	<u>139</u>



The Clearing House has prepared a statement explaining: (i) how a transfer under the Client Clearing DMP will work, and (ii) the main legal implications of such a transfer, including information on the applicable insolvency law in the relevant jurisdictions. This statement is available on the Clearing House's website at [\[insert link\]](#).

## LCH.CLEARNET LIMITED

### The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, Part IV

#### DEFAULT RULES

1. Save where expressly stated to the contrary these Default Rules ("Rules") have effect with regard to the provision of clearing services for all markets cleared by the Clearing House. These Rules (including each Supplement) form part of the Clearing House's Rulebook but do not apply in relation to a Co-operating Clearing House.

~~(a)~~ The Rules comprise:

- these general Default Rules (Rules 1 to 27 inclusive);
- Supplements specific to the following Services: the Commodities Service, the Equities Service, the ForexClear Service, the Listed Interest Rate Derivatives Service, the RepoClear Service and the SwapClear Service.

Each Supplement establishes a separate default fund specific to the Service to which the Supplement relates. The Supplements establish the size of each default fund, the basis for calculating Contributions to each default fund, and include supplementary provisions addressing cases where the relevant default fund has been utilised. The general Default Rules establish the mechanisms, which apply severally to each default fund, for utilisation of the default funds, and for other matters common to all default funds.

The allocation by the Risk Committee of the Clearing House of a Contract to a particular Service to which a Supplement applies shall be done in accordance with the definitions set out in the Supplements, and each decision of the Risk Committee in this respect is conclusive.

2.

2.(a) Words and expressions defined in the Clearing House's Rulebook shall have the same meanings in these Rules, save that in relation to the provision of clearing services by an FCM Clearing Member, words and expressions defined in the Clearing House's FCM Regulations shall have the same meanings in these Rules and such meanings shall prevail over any other meaning given to the relevant word or expression in the Clearing House's Rulebook;

(b) ~~A~~a reference to a numbered Regulation in these Rules is a reference to the Regulation so numbered in the Regulations ~~s~~Section of the Rulebook and a reference to a numbered FCM Regulation is a reference to the FCM Regulation so numbered in the FCM Regulations. A reference to a numbered Rule is a reference to the Rule so numbered in these Rules;

(c) ~~The~~the expression ~~“~~“~~relevant office-holder”~~“relevant office-holder” in these Rules has the meaning given to it ~~by~~in section 189 of the Companies Act 1989 and a reference to the ~~d~~Defaulter shall include ~~(~~(where the context permits~~)~~) a reference to the relevant office-holder; and

(d) ~~A~~a reference to an agreement in these Rules is a reference to that agreement as amended, modified or varied from time to time.

3. ~~In~~In the event of a Clearing Member appearing to the Clearing House to be unable, or to be likely to become unable, to meet its obligations in respect of one or more Contracts, the Clearing House may (or upon the occurrence of an Automatic Early Termination Event, in which case such ~~e~~eContracts will automatically terminate, the Clearing House will) take ~~such~~the steps listed in Rule ~~6~~as 6, ~~it deems appropriate~~it deems appropriate in the circumstances ~~appear to it best calculated:~~

(a) ~~to~~to discharge all the Clearing Member~~s~~s' rights and liabilities under or in respect of all Contracts to which it is party or upon which it ~~is~~is or may be liable~~; and~~

(b) ~~to~~to complete the process set out in Rule ~~8~~8.

Before taking any such step the Clearing House shall (i) have regard to the interests of the members of any market that the Clearing Member may belong to ~~and shall~~(ii) where ~~in the circumstances~~it is reasonably practicable to do so ~~and~~and without prejudice to those interests if applicable or to the interests of the Clearing House, consult any relevant ~~Exchange to whose Exchange Rules open contracts registered in the name of the Clearing Member are subject,~~ and (iii) inform the Bank of England of the proposed step(s) to be taken. As soon as practicable after the Clearing House has elected to take any such step in relation to a Clearing Member (or in the case of an Automatic Early Termination Event (as described in Rule ~~5~~5 below) as soon as practicable after the occurrence of such an event) the Clearing House shall send to ~~such~~the relevant Clearing Member: (a) a notice of such step being taken or a notice of the occurrence of an Automatic Early Termination Event (a ~~“~~“~~Default Notice”~~Default Notice”); (b) and shall publish a copy of the Default Notice; and (b) in relation to a ~~d~~Defaulter who is a ~~SwapClear~~ Clearing Member, copies of any written notices received from the Individual Segregated Account Clearing Client(s) and/or any of the Affiliated Omnibus Net-Segregated Clearing Client(s) Clients or Identified Omnibus Segregated Clearing Clients of that ~~d~~Defaulter confirming their instructions for the Clearing House to arrange for a transfer or termination, close-out and re-establishment of their open ~~SwapClear~~ Contracts to/with the relevant Back-up ~~SwapClear~~ Clearing Member(s), ~~provided, however, that~~ the Clearing House shall have no liability for any failure to deliver such notices.

4. A Clearing Member (i) in respect of whom the Clearing House has issued a Default Notice under Rule ~~3.3~~; or (ii) in respect of whom an Automatic Early Termination Event has occurred, is in these Rules called a "~~d~~"**Defaulter**".
5. Without prejudice to the generality of Rule ~~3.3~~, the Clearing House may take any or all of the events under paragraphs ~~5(a)5(a)~~ to ~~(q)(q)~~ below to show that a Clearing Member is or is likely to become unable to meet its obligations in respect of one or more Contracts. Also, the Clearing House may from time to time by publication in a circular to Clearing Members specify criteria (including but not limited to the jurisdiction of incorporation of a Clearing Member) according to which an event under ~~sub~~-paragraphs ~~5(i)(i)~~ to ~~(p)(p)~~ below will constitute an "**Automatic Early Termination Event**".
- (a) the Clearing Member fails duly to perform its obligations under or is otherwise in breach of, the Regulations, the FCM Regulations, the Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House or the right of the Clearing Member to receive a transfer or termination, close-out and re-establishment of ~~e~~Contracts pursuant to a Link has been suspended under ~~Participating Exchange Rules, or a Co-operating Clearing Member is a Defaulter (as defined in a Member Link Agreement to which the Clearing Member is a party);~~ House Rules;
- (b) the Clearing Member is in breach of the terms of membership of, or is declared to be in default by, or is suspended or expelled from membership of, an Exchange, a ~~Participating Exchange~~ Co-operating Clearing House or any other recognised, designated or overseas investment exchange or clearing house;
- (c) the Clearing Member is in breach of any Exchange Rules, ~~Participating Exchange~~ Co-operating Clearing House Rules or the rules of any recognised, designated or overseas investment exchange or clearing house;
- (d) the Clearing Member is in breach of the terms of membership of, or is refused an application for or is suspended or expelled from membership of, a Regulatory Body or is in breach of the rules of a Regulatory Body to which it is subject or its authorisation by a Regulatory Body is suspended or withdrawn;
- (e) a Regulatory Body takes or threatens to take action against or in respect of the Clearing Member under any statutory provision or process of law;
- (f) the Clearing Member is in default in the payment of any sum whatsoever due and payable to the Clearing House;
- (g) the Clearing Member is in default in making or accepting a tender (or Delivery Notice) pursuant to Regulation ~~19~~28 (*Obligation to Make and Accept Tender under Cleared Exchange Contracts*) or FCM Regulation 20 (*Obligation to Make and Accept Delivery Notice Under FCM Exchange Contracts*) or in performing an open contract subject to tender (or an FCM Exchange Contract Subject to Delivery Notice) or a delivery contract (or a Physically-Settled FCM Exchange Contract);

- (h) the Clearing Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;
- (i) in respect of the Clearing Member, a bankruptcy petition is presented or a bankruptcy order is made or a voluntary arrangement is approved;
- (j) in respect of the Clearing Member, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;
- (k) an assignment or composition is made by the Clearing Member for the benefit of creditors or any of them;
- (l) a petition is presented for the winding up of the Clearing Member;
- (m) an order is made for the winding up of the Clearing Member, or a resolution is passed for the winding up of the Clearing Member (save for the purpose of its amalgamation or reconstruction);
- (n) in respect of the Clearing Member, a petition is presented or an order made for the appointment of an administrator;
- (o) the Clearing Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
- (p) any step analogous to those mentioned in paragraphs ~~(i) to (o)~~ (i) and (o) is taken in respect of the Clearing Member in any jurisdiction; or
- (q) any distress, execution or other process is levied or enforced or served upon or against any property of the Clearing Member.
6. The steps which may be taken by the Clearing House under Rule 33 in respect of the ~~d~~Defaulter or otherwise are:
- (a) to register an original contract or an FCM Transaction (as the case may be) in the name of the ~~d~~Defaulter or to decline to register an original contract or an FCM Transaction (as the case may be) in the name of the ~~d~~Defaulter or otherwise to exercise the Clearing House's<sup>2</sup> discretion with regard to the ~~d~~Defaulter under Regulation 916(c) (Registration) or, in the case of an FCM Clearing Member, FCM Regulations ~~30(i);45(h) and 40(h);48(g) or other applicable provision in the FCM Rulebook;~~
- (b) to effect a closing-out in respect of an open contract of the ~~d~~Defaulter (whether by the entering into of a closing-out contract or otherwise) and at the option of the Clearing House to settle such contracts or to effect the transfer or termination, close-out and cash-settlement of an open contract of the ~~d~~Defaulter by applying a price determined by the Clearing House in its discretion;

- (c) to settle any open contract of which settlement might have been requested by the ~~defaulter pursuant to Regulation 15(e) or 16;~~ Defaulter pursuant to Regulation 23(e) (Daily Settlement or Marking to Market), or 25 (Other Modes of Settlement and Revaluation) or, in the case of an FCM Clearing Member, FCM Regulation 16 (Official Quotations and Reference Price; Settlement and Revaluation);
- (d) to invoice a Contract, other than a SwapClear Contract, an FCM SwapClear Contract, a ForexClear Contract, an FCM ForexClear Contract, ~~a RepoClear Contract or a RepoClear GC Contract (a RepoClear Contract or RepoClear GC Contract being a "Fixed Income Contract");~~ of the ~~d~~Defaulter back by way of compulsory settlement in accordance with Regulation ~~28~~39 (Invoicing Back) at a price or premium determined under paragraph (d) of that Regulation; ~~or in the case of an FCM Clearing Member, FCM Regulation 31 (Invoicing Back);~~
- (e) to sell any security ~~transferred~~ deposited by the ~~defaulter to the Clearing House~~ Defaulter pursuant to Regulation ~~12~~20 (Margin and Collateral) or, in the case of a ~~d~~Defaulter who is an FCM Clearing Member, FCM Regulation ~~9~~14 (Margin and Collateral), or any agreement made between the ~~d~~Defaulter and the Clearing House by public or private sale for the account of the ~~d~~Defaulter without being obliged to obtain the ~~d~~Defaulter's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the ~~d~~Defaulter;
- (f) subject to the Procedures or the FCM Procedures, ~~(as applicable);~~ to exercise an option of the ~~d~~Defaulter on its behalf notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by any relevant Exchange Rules;
- (g) (i) to transfer an open contract, position or asset of the ~~d~~Defaulter to the account of another Clearing Member ~~or;~~ (ii) to transfer an open contract from the account of another Clearing Member to the account of the Defaulter for the purposes of closing out an open contract registered in an account of the Defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Exchange; or (iii) to close-out and terminate such an open contract and re-establish it with another Clearing Member, being a Clearing Member entitled and willing to have such open contract registered in its name ~~or to transfer an open contract from the account of another Clearing Member to the account of the defaulter for the purposes of closing out an open contract registered in an account of the defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Exchange;~~
- (h) to take such steps as may be desirable, including (i) crediting or debiting of accounts (including margin accounts); (ii) entry into new contracts; (iii) transfer of existing contracts; (iv) reversal of contracts, ~~or;~~ (v) termination, close-out and re-establishment of contracts; or (vi) any other step, to preserve as far as possible the position of any client of the Clearing Member. Where an open contract is transferred or closed-out, terminated, and re-established under

~~paragraph (g), Rule 6(g) above,~~ without requiring the consent of the relevant Exchange, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment of positions) to the Clearing Member to whom the open contract is transferred (or with whom the replacement open contract is re-established) such Collateral ~~held by the Clearing House in respect of the defaulter's margin obligations on~~ connection with that account as the Clearing House may deem appropriate;

- (i) to tender (or submit a Delivery Notice) or to receive a tender (or a Delivery Notice) in the ~~d~~Defaulter's name;
- (j) to perform on an open contract subject to tender (or an FCM Exchange Contract Subject to Delivery Notice) or a delivery contract (or Physically-Settled FCM Exchange Contract) by either delivery of or by accepting delivery of the commodity which is the subject of such contract to or from, as the case may be, the ~~d~~Defaulter, its agent or a third party in any manner permitted by the terms of the Contract and the Exchange Rules (if any);
- (k) where the ~~d~~Defaulter is party to an open contract subject to tender (or an FCM Exchange Contract Subject to Delivery Notice), to declare the ~~d~~Defaulter's rights and liabilities in respect of performance thereof discharged, whereupon the provisions of Rule ~~77~~ shall apply to the ~~d~~Defaulter in respect of the open contract;
- (l) to make or to procure the making of one or more contracts, including (without limitation) original contracts for the purpose of hedging market risk to which the ~~d~~Defaulter is exposed, and to register the same in the ~~d~~Defaulter's name under the Regulations or the FCM Regulations (as the case may be);
- (m) to make or to procure the making of one or more contracts, whether or not in the terms of exchange contracts (or FCM Exchange Transactions), for the sale, purchase or other disposition of a commodity, and to register the same in the ~~d~~Defaulter's name under the Regulations;
- (n) to designate a currency as a currency of account; and at the ~~d~~Defaulter's expense to convert any sum payable by or to the ~~d~~Defaulter in another currency into the currency of account;
- (o) to take any step which in the circumstances is open to the Clearing House under any applicable Exchange Rules including, without limitation, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment) an open contract of the ~~d~~Defaulter to a ~~Participating Exchange~~Co-operating Clearing House to be registered at the ~~Participating Exchange~~Co-operating Clearing House in accordance with its rules;
- (p) without prejudice to any other right of the Clearing House under the Regulations, to take such action as the Clearing House may deem necessary for its protection in the name and at the expense of the ~~d~~Defaulter with regard to any open contract standing in its name;



- (q) in respect of Contracts standing in the ~~d~~Defaulter's name, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to or in consequence of the circumstances mentioned in Rule ~~33~~ or the steps which are or may be taken under this Rule, the Regulations or the FCM Regulations (as the case may be) and any expenses incurred with regard thereto under Rule ~~11~~ ~~and the amount of any losses, costs or expenses incurred or suffered by the Clearing House referred to in paragraph (g) of Regulation 42 and any other amounts referred to in such paragraph;~~13;
- (r) to take any other step calculated by the Clearing House to complete the process set out in Rule ~~8;8~~; and
- (s) to obtain such advice or assistance, whether legal ~~advice~~ or otherwise, as the Clearing House may deem necessary and at the expense of the ~~d~~Defaulter for any matter arising out of or in connection with the default,

~~PROVIDED~~provided that:

in the case of ~~SwapClear Contracts related to SwapClear~~ all Client Clearing Client Business Contracts, the Clearing House—: (A) shall act in accordance with the provisions of ~~Regulation 52B~~the Client Clearing Annex (which deals, amongst other things, with certain specific arrangements, procedures and steps for the transfer, termination, close-out and re-establishment or the close-out and/or settlement of such ~~SwapClear Client Clearing~~ Contracts pursuant to this Rule ~~6);6~~); and (B) may also take any of the other steps set out in this Rule ~~66~~ to the extent that they do not conflict with the steps set out in ~~Regulation 52B~~;

~~(ii)~~(i) ~~in the case of FCM SwapClear Contracts related to FCM SwapClear Client Business, (A) the SwapClear DMP shall be conducted in accordance with the provisions of FCM Regulation 8(f);~~the Client Clearing Annex and (B), provided that, in no circumstances will the Clearing House may take sell any of the other steps set out security deposited as Collateral in a Client Account and forming part of the Clearing Member Current Collateral Balance in respect of such Client Account pursuant to (without limitation) paragraphs (e), (h), (p) or (r) of this Rule 6, the Client Clearing Annex to these Default Rules or otherwise for the extent that they do not conflict with duration of the provisions of FCM Regulation 8(f);Porting Window applicable to the relevant Clearing Client, other than (1) with the consent, to the selling of such securities, of the relevant Clearing Client (in the case of an Individual Segregated Account) or all of the Clearing Clients grouped together in and comprising the relevant Omnibus Segregated Account (in the case of an Omnibus Segregated Account); or (2) where a Clearing Client (in the case of an Individual Segregated Account) or each of the Clearing Clients grouped together in and comprising the relevant Omnibus Segregated Account (in the case of an Omnibus Segregated Account) has appointed a Backup Clearing Member who is

unable to accept or otherwise rejects a transfer of the relevant securities as part of the transfer of an Account Balance in accordance with the provisions of the Client Clearing Annex to these Default Rules;

~~(iii)~~(ii) in the case of SwapClear Contracts, related to SwapClear Clearing House Business, ~~FCM SwapClear Contracts related to FCM SwapClear House Business~~ and SwapClear Contracts which are Relevant Auction Contracts, the Clearing House: (A) shall act in accordance with the provisions of the SwapClear DMP Annex to these Default Rules (which deals, amongst other things, with certain specific arrangements, procedures and steps for the close-out and/or settlement of such SwapClear Contracts pursuant to this Rule ~~6);6);~~ and (B) may also take any of the other steps set out in this Rule ~~66~~ to the extent that they do not conflict with the steps set out in the SwapClear DMP Annex to these Default Rules;

in the case of ForexClear Contracts, ~~certain steps which shall be taken by the related to ForexClear~~ Clearing House ~~shall be set out in Business and ForexClear Contracts which are Relevant Auction Contracts, the Clearing House:~~ (A) shall act in accordance with the provisions of the ForexClear DMP Annex to these Default Rules; ~~and~~

~~(v)~~(iii) ~~in the case of Fixed Income Contracts, the~~ (which deals, amongst other things, with certain specific arrangements, procedures and steps for the close-out and/or settlement of such ForexClear Contracts pursuant to this Rule 6); and (B) may also take any of the other steps ~~which shall be taken by the Clearing House shall be~~ set out in this Rule 6 to the extent that they do not conflict with the steps set out in the ~~Rep~~ ForexClear DMP Annex to these Default Rules; ~~and~~

(iv) ~~(a)~~ in the case of Fixed Income Contracts related to RepoClear Clearing House Business and Fixed Income Contracts which are Relevant Auction Contracts, the Clearing House: (A) shall act in accordance with the provisions of the RepoClear DMP Annex to these Default Rules (which deals, amongst other things, with certain specific arrangements, procedures and steps for the close-out and/or settlement of such Fixed Income Contracts pursuant to this Rule 6); and (B) may also take any of the other steps set out in this Rule 6 to the extent that they do not conflict with the steps set out in the RepoClear DMP Annex to these Default Rules.

## 7.

7.(a) Where the Clearing House declares the ~~d~~Defaulter<sup>2</sup>'s rights and liabilities under an open contract subject to tender (or an FCM Exchange ~~Contracts~~ subject Contract Subject to Delivery Notice) discharged under Rule ~~6(k);6(k);~~

(i) those rights and liabilities and the rights and liabilities of the Clearing House under the open contract shall be discharged; ~~and;~~



- (ii) there shall arise between the ~~e~~Defaulter and the Clearing House in respect of the open contract an obligation to account, as directed by the Clearing House, for a settlement amount determined by the relevant Board under this Rule.
- (b) The settlement amount referred to in ~~paragraph (a)~~ Rule 7(a) shall be an amount which, at the request of the Clearing House, the relevant Board determines to represent adequate compensation (in the circumstances known to the Board) for the discharge of the mutual rights and liabilities of the ~~e~~Defaulter and the Clearing House under the open contract. The ~~Board's~~ determination of the Board shall be conclusive. The Clearing House shall direct how the settlement amount is to be accounted for between the ~~e~~Defaulter and itself.
- (c) Neither the Clearing House nor any relevant Board or Exchange shall have any liability whatsoever for anything done or omitted in the determination of a settlement amount under this Rule.
8. Upon the determination ~~of~~ the outstanding ~~rights and liabilities~~ of the ~~e~~Defaulter under or in respect of all Contracts to which it is party or upon which it is or may be liable (in accordance with Rule ~~6,6~~ and the SwapClear DMP Annex, the ForexClear DMP Annex, the RepoClear DMP Annex and ~~Regulation 52B~~ the Client Clearing Annex (as applicable)), the following process shall be completed by the Clearing House in order to determine any net amounts which remain payable between the ~~e~~Defaulter and the Clearing House in respect of each "**kind of account**-" as described in Rule ~~10(b)~~ 11(b):
- (a) there shall be brought into account all sums payable:
- (i) by or to a ~~e~~Defaulter in respect of Contracts (other than FCM Contracts); any other sum due under the Regulations; any sum due in respect of any breach of the Regulations; (except, if the Clearing House so determines at its discretion, any sum payable under a Contract as the price for the commodity which is the subject of such Contract delivered or to be delivered to the Clearing House by or on behalf of the ~~e~~Defaulter); and/or any amount due from the ~~e~~Defaulter to the Clearing House in respect of any Treasury Contract;
- (ii) by or to a ~~e~~Defaulter in respect of FCM Contracts (and in accordance with paragraph ~~(e)~~ (e) below); any other sum due under the FCM Regulations; and/or any sum due in respect of any breach of the FCM Regulations;
- (b) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Rule ~~10;~~ 11;
- (c) any cash Collateral forming part of the Clearing House Current Collateral Balance in respect of the relevant kind of account ~~shall be set off against any cash Collateral forming part of the~~ ~~e~~Defaulter's Clearing Member Current Collateral Balance in respect of the relevant kind of ~~account~~, and the resulting amount shall be aggregated with or set off against (as the case may

be) any net sum payable under Rule 8(b) above, so as to produce a further net sum;

~~or set off against (as the case may be) any net sum payable under Rule 8(b) above, so as to produce a further net sum;~~

(d) where an amount is payable by the Clearing House to the ~~d~~Defaulter in respect of a balance on its Proprietary Account(s), and there are amounts due to the Clearing House in respect of any ~~client account~~Client Account with ~~LCH~~the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client ~~Segregated~~ Sub-Accounts therein) operated by it, the balance on the Proprietary Account(s) may be applied to meet the shortfall on the ~~client account~~Client Account(s) with ~~LCH~~the Clearing House, including any FCM Omnibus Client Account with LCH (and any FCM Client ~~Segregated~~ Sub-Accounts therein) in any way in which the Clearing House may determine;

(e) ~~notwithstanding anything to the contrary in the foregoing,~~ in the case where the ~~d~~Defaulter is an FCM Clearing Member,

(i) with respect to an FCM Omnibus Swaps Client Account with LCH, a net sum shall be calculated in respect of each applicable FCM Client ~~Segregated~~ Sub-Account ~~therein~~, and with regards to any amount due to the Clearing House from the ~~d~~Defaulter in respect of net sums attributable to FCM Client ~~Segregated~~ Sub-Accounts where there is inadequate Collateral (on a sub-account by sub-account basis) to fully set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available FCM Buffer or the reallocation of any ~~Applied~~Encumbered FCM Buffer in setting off any such amounts payable to the Clearing House; and

(ii) with respect to an FCM Omnibus Futures Client Account with LCH, a net sum shall be calculated in respect of the FCM Omnibus Futures Client Account with LCH;

(f) in the event that the Clearing House elects to close out and to liquidate FCM SwapClear Contracts attributable to FCM Clients of the ~~d~~Defaulter (in accordance with the SwapClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients<sup>2</sup>; FCM Client ~~Segregated~~ Sub-Accounts that are held in the ~~d~~Defaulter<sup>2</sup>'s FCM Omnibus SwapClear Client Account with LCH, in the manner set out in Section 2A.15.6 of the FCM Procedures and in accordance with Parts 22 and ~~Part~~ 190 of the CFTC Regulations and any other applicable law;

(g) in the event that the Clearing House elects to close out and to liquidate FCM ForexClear Contracts attributable to FCM Clients of the ~~d~~Defaulter (in accordance with the ForexClear DMP Annex), the Clearing House shall allocate any costs associated with such closing out and liquidation process

(including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client ~~Segregated~~ Sub-Accounts that are held in the ~~d~~Defaulter's FCM Omnibus ForexClear Client Account with LCH, in the manner set out in Section 2B.23.6 of the FCM Procedures and in accordance with Parts 22 and ~~Part~~ 190 of the CFTC Regulations and any other applicable law; and

(h) in the event that the Clearing House elects to close out and to liquidate FCM EnClear Contracts attributable to FCM Clients of the ~~d~~Defaulter, the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among the FCM Clients whose positions were liquidated, by allocation to such FCM Clients' FCM Client ~~Segregated~~ Sub-Accounts that are held in the ~~d~~Defaulter's FCM Omnibus EnClear Client Account with LCH, in the manner set out in Section 2C.1.20 of the FCM Procedures and in accordance with Parts 22 and ~~Part~~ 190 of the CFTC Regulations and any other applicable law.

For the purposes of ~~paragraph (a) of this Rule~~ Rule 8(a) above the Clearing House may assess the sum payable by or to the ~~d~~Defaulter in respect of any breach of the Regulations or the FCM Regulations (as the case may be) in such reasonable manner as it thinks fit; **provided, that** in the case of breaches of the FCM Regulations, the assessment by the Clearing House shall not be in violation of the CFTC Regulations (including Part 22 thereof).

With respect to any Unallocated Excess ~~deposited~~ maintained in the Unallocated Excess Sub-Account of the ~~d~~Defaulter, the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the ~~d~~Defaulter to the Clearing House (on behalf of the ~~d~~Defaulter's FCM Clients or otherwise) or take any such Unallocated Excess into account for purposes of determining net sums under this Rule ~~8,8~~, except to the extent required or permitted by applicable law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

9. The sum, or each sum, finally payable by the ~~d~~Defaulter to the Clearing House or by the Clearing House to the ~~d~~Defaulter (including any sums payable to the ~~d~~Defaulter for the benefit of one or more of its FCM Clients), or the fact that no sum is finally payable by either such party to the other, as the case may be upon completion of the process set out in Rule ~~8,8~~, shall be forthwith certified by the Clearing House ~~for the purposes of section 163 of the Companies Act 1989~~. The certificate of the Clearing House under this Rule shall be conclusive as to the discharge of the ~~d~~Defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Rule to be due to the ~~d~~Defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the ~~d~~Defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Rule ~~88~~ can be completed.

10. ~~9A~~—Following a Default by an FCM Clearing Member, ~~with respect to an FCM Client~~, the Clearing House will to the extent permitted by applicable law (including Part 190 of the CFTC Regulations and applicable bankruptcy law), credit Variation Margin on a gross basis to each individual FCM Client Sub-Account.

11.

~~10.(a)~~ (a)—Where the ~~d~~Defaulter has more than one account with the Clearing House, the ~~d~~Defaulter's accounts shall be combined for the purpose of Rules ~~88~~ and ~~99~~ as follows:

(i) no account which is an FCM Client ~~Segregated~~ Sub-Account of an FCM Client may be combined with any other account, including any FCM Client ~~Segregated~~ Sub-Account of another FCM Client, any FCM Omnibus Client Account with LCH or any Proprietary Account; **provided, that** in the event that an FCM Client were to have two FCM Client ~~Segregated~~ Sub-Accounts with the same ~~d~~Defaulter, and both such accounts cleared the same Product, then such FCM Client ~~Segregated~~ Sub-Accounts may be combined;

(ii) no account which is an FCM Omnibus Client Account with LCH of the ~~d~~Defaulter may be combined with any other account, including any other FCM Omnibus Client Account with LCH or any Proprietary Account, ~~except as provided in paragraph (iii) below~~;

(iii) an account which is a Proprietary Account of the ~~d~~Defaulter may be combined with any other Proprietary Accounts of the ~~d~~Defaulter and (if the Clearing House so elects) Treasury Accounts of the ~~d~~Defaulter (subject to Rule ~~8(d) and 10(d)~~ 11(d) of the Default Rules); and

(iv) an account which is a Treasury Account of the ~~d~~Defaulter may only be combined with other Treasury Accounts and (if the Clearing House so elects) Proprietary Accounts of the ~~d~~Defaulter.

Notwithstanding the foregoing, in no circumstances may an account which is an Individual Segregated Account of the ~~d~~Defaulter or an Omnibus ~~Net~~ Segregated Account of the ~~d~~Defaulter be combined with any other account of the ~~d~~Defaulter.

(b) For the purposes of this Rule ~~10,11~~, each Individual Segregated Account of the ~~d~~Defaulter, each Omnibus ~~Net~~ Segregated Account of the ~~d~~Defaulter, each FCM Client ~~Segregated~~ Sub-Account(s) of a particular FCM Client within a particular FCM Omnibus Swaps Client Account with LCH of the ~~d~~Defaulter, and each FCM Omnibus Futures Client Account with LCH shall constitute a separate **"kind of account"**. Where the ~~d~~Defaulter has more than one kind of account with the Clearing House, the process set out in Rule ~~88~~ shall be separately completed in respect of each kind of account. In the case of each kind of account of the ~~d~~Defaulter which is ~~not an Omnibus Net~~ Individual Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule ~~8 shall be separately certified under Rule 9. In the case of each kind of account of the defaulter which is an~~ 8 shall be separately certified under Rule 9. In the case of each

kind of account of the Defaulter which is an Omnibus Segregated Account (other than a Non-Identified Client Omnibus Net Segregated Account), the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (pro rata as it sees fit in its sole discretion) between the Clearing Clients in that Omnibus Segregated Account. Each sum so allocated to a Clearing Client shall be separately certified under Rule 9. In the case of each kind of account of the Defaulter which is a Non-Identified Client Omnibus Net Segregated Account, the sum finally payable in respect of that kind of account following completion of the process set out in Rule 8 will be allocated by the Clearing House (pro rata as it sees fit in its sole discretion) between the Omnibus Net Segregated Clearing Clients sharing in that Omnibus Net Segregated Account. Each sum so allocated to an Omnibus Net Segregated Clearing Client shall be separately certified under Rule 9 will represent the aggregate entitlements of all Clearing Clients comprising that Client Account.

(c) In Rule ~~8(e)~~8 any reference to the “~~defaulter’s~~ relevant "kind of account"” means:

~~(ii)~~(i) with regard to a net sum produced by reference to Contracts registered in an Individual Segregated Account of the ~~d~~DDefaulter, that Individual Segregated Account;

(ii) with regard to a net sum produced by reference to Contracts registered in an Omnibus ~~Net~~ Segregated Account of the ~~d~~DDefaulter, that Omnibus ~~Net~~ Segregated Account;

(iii) with regard to a net sum produced by reference to FCM SwapClear Contracts registered in one or more FCM Client ~~Segregated~~ Sub-Accounts of the ~~d~~DDefaulter held in the name of one particular FCM Client, that FCM Client ~~Segregated~~ Sub-Account, or (if there is more than one) all such FCM Client ~~Segregated~~ Sub-Accounts (containing FCM SwapClear Contracts) of ~~a~~such particular FCM Client combined;

(iv) with regard to a net sum produced by reference to FCM ForexClear Contracts registered in one or more FCM Client ~~Segregated~~ Sub-Accounts of the ~~d~~DDefaulter held in the name of one particular FCM Client, that FCM Client ~~Segregated~~ Sub-Account, or (if there is more than one) all such FCM Client ~~Segregated~~ Sub-Accounts (containing FCM ForexClear Contracts) of ~~a~~such particular FCM Client combined;

(v) with regard to a net sum produced by reference to FCM EnClear Contracts registered in one or more FCM Client ~~Segregated~~ Sub-Accounts of the ~~d~~DDefaulter held in the name of one particular FCM Client, that FCM Client ~~Segregated~~ Sub-Account, or (if there is more than one) all such FCM Client ~~Segregated~~ Sub-Accounts (containing FCM EnClear Contracts) of ~~a~~such particular FCM Client combined;

(vi) with regard to a net sum produced by reference to FCM Contracts registered in an FCM Omnibus Futures Client Account with LCH of the ~~d~~DDefaulter, that FCM Omnibus Futures Client Account with LCH,

or (if there is more than one) all such FCM Omnibus Futures Client Accounts with LCH of the ~~d~~Defaulter combined;

(vii) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the ~~d~~Defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Rule ~~10(a)~~11(a)) any Treasury Accounts of the ~~d~~Defaulter; and

(viii) with regard to a net sum produced by reference to one or more Treasury Accounts of the ~~d~~Defaulter, that Treasury Account or those Treasury Accounts combined, and (if the Clearing House has elected in accordance with Rule ~~10(a)~~11(a)) any Proprietary Accounts.

(d) Notwithstanding any provision of the Rulebook to the contrary, any loss which relates to a Treasury Account may not be treated as a Default Loss ~~(as defined in Rule 23(b))~~, whether or not Collateral has been applied in respect of such loss. Nothing in this Rule ~~10(d)~~11(d) requires the Clearing House to apply Collateral in respect of any such loss ~~instead of any other amount referred to in Rule 8(a)~~, except that the Clearing House may not apply Collateral in respect of any such loss to the extent that doing so would give rise to an Excess Loss ~~(as defined in Rule 15)~~.

~~41.12.~~ Without further authorisation, permission or cooperation from the ~~d~~Defaulter, the Clearing House may appoint any person to take or assist it in taking any step under these Rules or to complete or assist it in completing the process set out in Rule ~~8.8~~.

~~42.13.~~ The Clearing House may co-operate, by the sharing of information and otherwise, with any Regulatory Body or relevant Exchange, any relevant office-holder acting in relation to the ~~d~~Defaulter or its estate and any other authority or body having responsibility for, or any Clearing Member having an interest in, any matter arising out of or connected with the circumstances mentioned in Rule ~~3.3~~.

~~43.14.~~ In addition to such copy report as it supplies under section 162(3) of the Companies Act 1989, the Clearing House shall report to the ~~d~~Defaulter, or any relevant office-holder acting in relation to the ~~d~~Defaulter or its estate, on steps taken in relation to the ~~d~~Defaulter under Rule ~~6.6~~.



**SCHEDULE 1**  
**CLIENT CLEARING ANNEX**

1. The Client Clearing DMP in respect of any contract which is a Contract entered into in respect of Client Clearing Business other than FCM Contracts (each a "**Relevant Contract**") shall involve the stages set out in this Annex. For the avoidance of doubt, in the case of a Defaulter who engages in more than one Relevant Client Clearing Business, the stages set out in this Annex will be implemented separately in relation to the Relevant Contracts entered into by such Defaulter in respect of each such Relevant Client Clearing Business. The Clearing House will not combine Relevant Contracts relating to different Relevant Client Clearing Businesses in a single Client Clearing DMP. The terms "**Account Balance**", "**Clearing Client**", "**Relevant Contract**", "**Relevant Auction Contract**", "**Individual Segregated Account**", "**Individual Segregated Account Clearing Client**", "**Individual Segregated Account Balance**", "**Omnibus Segregated Account**", "**Non-Identified Client Omnibus Net Segregated Account**", "**Identified Client Omnibus Net Segregated Account**", "**Affiliated Client Omnibus Net Segregated Account**", "**Omnibus Gross Segregated Account**", "**Non-Identified Omnibus Segregated Clearing Client**", "**Identified Omnibus Segregated Clearing Client**", "**Affiliated Omnibus Segregated Clearing Client**", "**Omnibus Gross Segregated Clearing Client**", "**Omnibus Segregated Account Balance**", "**Indirect Client**", "**Client Clearing Entitlement**", "**Aggregate Omnibus Client Clearing Entitlement**" and "**Clearing Agreement**" where used in paragraphs 2 to 18 of this Annex shall be interpreted accordingly.
2. For the purposes of this Annex, a Relevant Contract relating to ForexClear Clearing Client Business or SwapClear Client Clearing Business of a Clearing Member and a Relevant Contract relating to RepoClear Client Clearing Business of a Clearing Member which is a Fixed Income Contract (each a "**Relevant Auction Contract**") will be included in a Portfolio (as such term is defined in, respectively, the ForexClear DMP Annex to the Default Rules, the SwapClear DMP Annex to the Default Rules and the RepoClear DMP Annex to the Default Rules) from such time as the Clearing House determines that such Relevant Auction Contract will not be ported. For the avoidance of doubt, any such Portfolio will only contain Relevant Auction Contracts entered into by a Clearing Member on behalf of its Clearing Clients. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio.
3. In the case of a Relevant Contract other than a Relevant Auction Contract which cannot be ported in accordance with the terms of this Annex, the Clearing House may take any one or more of those other steps which are set out in Rule 6 of the Default Rules (and which are applicable to open contracts of the relevant type) in respect of such Relevant Contract, from such time as the Clearing House determines that porting will not occur.
4. If a Clearing Member becomes a Defaulter, the Clearing House shall:

  - 4.1 determine one or more Porting Windows in respect of the relevant Default where "**Porting Window**" means the period of time, commencing on the day of the relevant Default and being at least 24 hours (other than in the case of a Porting Window

Reduction (as defined below)), during which the Clearing House will seek to transfer Relevant Contacts entered into by the Defaulter and the Account Balances held in any Client Accounts opened by the Defaulter with the Clearing House to one or more Backup Clearing Members in accordance with the provisions of this Client Clearing Annex. Each such Porting Window will:

- (a) be determined by the Clearing House in its sole discretion separately in respect of each type of Client Account within each separate Relevant Client Clearing Business of the relevant Defaulter (where Individual Segregated Accounts, Omnibus Gross Segregated Accounts, Identified Client Omnibus Net Segregated Accounts and Affiliated Client Omnibus Net Segregated Accounts are each a different "type of Client Account") and published on its website; and
- (b) reflect, where applicable, any subsequent extension of the relevant period of time or, for a particular Client Account, a reduction of such period of time (a "Porting Window Reduction") applied by the Clearing House in its sole discretion and notified by means of a further publication on its website, provided, however, that (i) a Porting Window Reduction may be applied by the Clearing House to a particular Client Account solely where the Required Margin Amount in respect of such Client Account following the relevant Default becomes equal to 50% or more of the value of the Clearing Member Current Collateral Balance of such Client Account at the time of such Default; and (ii) in no circumstances will the total duration of the Porting Window following a Porting Window Reduction be less than 12 hours;

4.2 determine the Account Balances;

4.3 in the case of any Non-Identified Client Omnibus Net Segregated Account of a Defaulter who is an Exempt Client Clearing Member, seek to determine, in accordance with its default management procedures, the identities, and entitlements in respect of Contracts entered into by the relevant Exempt Client Clearing Member, in respect of each of the Clearing Clients grouped together in and comprising the relevant Non-Identified Client Omnibus Net Segregated Account. Where the Clearing House so determines the identities and entitlements of all of the relevant Clearing Clients to its satisfaction and in its sole and absolute discretion, those Clearing Clients shall cease to be designated as Non-Identified Omnibus Net Segregated Clearing Clients and shall instead become Determined Omnibus Net Segregated Clients (and the term "**Determined Omnibus Net Segregated Clients**" is defined accordingly);

4.4 ascertain to its satisfaction whether each Clearing Client of the Defaulter from whom porting instructions are received has appointed a Backup Clearing Member; and

4.5 where applicable, send details of the open Relevant Contracts and the Account Balances to the nominated Backup Clearing Member for each relevant Individual Segregated Account, each relevant Omnibus Gross Segregated Clearing Client, each relevant group of Combined Omnibus Gross Segregated Clearing Clients and each relevant Omnibus Segregated Account of the Defaulter.



5. Following the occurrence of a Default, the Clearing House will specify (and publish on its website) the deadline in respect of that particular Default by which time a consent to porting must be received from a client for the purposes of paragraphs 6.1 and 6.2, 7 or 8.1 and 8.2 (as applicable) in order for the Clearing House to seek to port that client's Relevant Contracts. Any such consent may be provided in writing (including by facsimile and email) and, once received by the Clearing House, may not be withdrawn.
6. Subject to paragraph 14 below, in circumstances where (a) an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) has appointed a Backup Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that Clearing Member (as the case may be) and the Clearing House has received confirmation in writing from the Backup Clearing Member of its agreement to act as Backup Clearing Member in relation to the arrangements described in paragraph 6.1 below and from the relevant client:
- 6.1 the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulter in respect of the relevant Clearing Client to the appointed Backup Clearing Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup Clearing Member in respect of the relevant Clearing Client;
- 6.2 where the relevant Clearing Client (in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay or Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) instructs a transfer of the Account Balance attributable to it to the appointed Backup Clearing Member, the Clearing House shall give effect to such instruction;
- 6.3
- (a) upon the Clearing House taking the actions specified in paragraph 6.1(a) above: (i) that portion (if any) of the Clearing House Current Collateral Balance in respect of the Defaulter which is attributable to the Relevant Contracts referred to in that paragraph (the "**Relevant Portion**") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and
- (b) upon the Clearing House taking the actions specified in paragraph 6.1(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the

Defaulter which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and

6.4 the amount of Collateral due to be returned to the Defaulter in respect of the relevant Client Account or the monetary value representing such amount of Collateral shall be reduced by an amount: (a) equivalent to the amount of Collateral comprising the Account Balance attributable to the relevant Clearing Client; or (b) equalling the monetary value representing such Account Balance (as applicable), transferred to the Backup Clearing Member, as referred to in paragraph 6.2 above.

7. Subject to paragraph 14 below, in circumstances where (a) an Individual Segregated Account Clearing Client of a Defaulter has appointed a Backup Clearing Member and is acting on behalf of Indirect Clearing Clients; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that Clearing Member (as the case may be), the Clearing House has received confirmation (i) in writing from the Backup Clearing Member of its agreement to act as Backup Clearing Member in relation to the arrangements described in paragraph 6.1; (ii) from the relevant client; and (iii) from each of the relevant Indirect Clearing Clients, the arrangements described in paragraphs 6.1, 6.2, 6.2 and 6.4 above will apply to (i) the Relevant Contracts entered into by the Defaulter in respect of the relevant Individual Segregated Account Clearing Client acting on behalf of its Indirect Clearing Clients; (ii) the Clearing House Collateral Balance in respect of the Defaulter and the Backup Clearing Member which is attributable to the Relevant Contracts specified in (i) immediately above; and (iii) the Individual Segregated Account Balance credited to the Individual Segregated Account opened within the Clearing House by the Defaulter in respect of the relevant Individual Segregated Account Clearing Client acting on behalf of its Indirect Clearing Clients.

8. Subject to paragraph 14 below, in circumstances where (a) all of the Identified Omnibus Net Segregated Clearing Clients of a Defaulter identified by the Clearing House as comprising a single Identified Client Omnibus Net Segregated Account or all of the Affiliated Omnibus Net Segregated Clearing Clients of a Defaulter identified by the Clearing House as comprising a single Affiliated Client Omnibus Net Segregated Account or each of the Omnibus Gross Segregated Clearing Clients comprising a group of Combined Omnibus Gross Segregated Clearing Clients, have appointed a single Backup Clearing Member; and (b) within such period as the Clearing House may determine following the service of a Default Notice on the relevant Clearing Member pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that Defaulter (as the case may be), the Clearing House has received confirmation in writing from the Backup Clearing Member of its agreement to act as Backup Clearing Member in relation to the arrangements described in paragraph 8.1 below and from the relevant clients (in such form as the Clearing House may require at the relevant time):

8.1 the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulter in respect of the relevant clients to the appointed Backup Clearing

Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup Clearing Member in respect of the relevant clients;

8.2 where all of the relevant clients (in an exercise of their respective rights under the relevant Security Deed or, in the case of such clients of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay or Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) instruct a transfer of the Omnibus Segregated Account Balances attributable to them to the appointed Backup Clearing Member, the Clearing House shall give effect to such instructions;

8.3

(a) upon the Clearing House taking the actions specified in paragraph 8.1(a) above: (i) that portion (if any) of the Clearing House Current Collateral Balance in respect of the Defaulter which is attributable to the Relevant Contracts referred to in that paragraph (the "Relevant Portion") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and

(b) upon the Clearing House taking the actions specified in paragraph 8.1(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the Defaulter which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and

8.4 the amount of Collateral due to be returned to the Defaulter in respect of the Omnibus Segregated Account in which the relevant Omnibus Segregated Clearing Clients have an interest or the monetary value representing such amount of Collateral shall be reduced by an amount: (a) equivalent to the aggregate amount of Collateral comprising the Omnibus Segregated Account Balances attributable to the relevant Omnibus Segregated Clearing Clients or (b) equalling the aggregate monetary values representing such Omnibus Segregated Account Balances (as applicable) transferred to the Backup Clearing Member, as referred to in paragraph 8.2 above.

9. The Clearing House will seek to port Relevant Contracts and Account Balances under paragraphs 6.1 and 6.2, 7 or 8.1 and 8.2 above within the relevant Porting Window. In relation to those Clearing Clients of the Defaulter (including any such Clearing Clients who are acting on behalf of Indirect Clearing Clients) whose open Relevant Contracts are not dealt with pursuant to paragraphs 6.1 and 6.2, 7 or 8.1 and 8.2 above, the processes described in paragraphs 9.1 to 9.3 below shall occur.

9.1 In the case of those Clearing Clients who are Individual Segregated Account Clearing Clients, Identified Omnibus Segregated Clearing Clients or Affiliated Omnibus Segregated Clearing Clients, the Clearing House shall calculate the entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts (the "Client Clearing Entitlement") of the Defaulter in respect of each such Clearing Client reflecting (a) the addition of any sums due from the Clearing House in respect of the close-out of the Relevant Contracts entered into by the Defaulter in respect of the relevant Clearing Client and (b) the deduction of (i) the costs of any hedging undertaken; (ii) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the relevant Clearing Client (in the case of Relevant Auction Contracts, such amounts, together with the amounts referred to in (a) and the costs referred to in (b)(i) of this paragraph 9.1, being determined by the Clearing House under the processes provided for by the SwapClear DMP Annex, the ForexClear DMP Annex or the RepoClear DMP Annex (as applicable)); (iii) any amounts to be deducted to reflect the operation of any set-off provision contained in a Clearing Agreement entered into between the Defaulter and the relevant Clearing Client and confirmed in writing to the Clearing House by or on behalf of both such parties; (iv) in respect of Clearing Clients who are identified by the Clearing House as comprising an Omnibus Segregated Account which is not an Omnibus Gross Segregated Account, amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of other Omnibus Segregated Clearing Clients identified by the Clearing House as comprising the relevant Omnibus Segregated Account in question, in each case allocated *pro rata* as the Clearing House sees fit, in its sole discretion and (v) in respect any Omnibus Gross Segregated Clearing Client forming part of a group of Combined Omnibus Gross Segregated Clearing Clients, amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of other Omnibus Gross Segregated Clearing Clients forming part of the same group of Combined Omnibus Gross Segregated Clearing Clients, in each case allocated *pro rata* as the Clearing House sees fit, in its sole discretion.

Save in the case of any amount paid to a Clearing Client in accordance with paragraph 9.2 below, the Clearing House will (upon, where applicable, instruction from the relevant Clearing Client in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay or Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted in its favour by the Defaulter under the relevant Deed of Charge) pay the amounts of the Client Clearing Entitlements calculated by it under this paragraph 9.1 to the Defaulter for the account of the relevant clients.

9.2 Where the relevant Individual Segregated Account Clearing Client, Identified Omnibus Segregated Clearing Client or Affiliated Omnibus Segregated Clearing Client (in an exercise of its rights under the relevant Security Deed or, in the case of such a client of a Defaulter who is an Exempt Client Clearing Member, following acceleration of the obligations of the Defaulter under its Undertaking to Pay or Deliver, so that such obligations become immediately due and payable, and satisfaction of such obligations by the Clearing House enforcing the security granted

in its favour by the Defaulter under the relevant Deed of Charge) instructs the Clearing House to pay an amount to it equal to the Client Clearing Entitlement due to be returned in respect of it to the Defaulter, the Clearing House shall seek to give effect to such instructions, subject to:

- (a) the delivery by the relevant Clearing Client and/or, where applicable, execution by the relevant Clearing Client, of appropriate documentation as specified on the Clearing House's website from time to time (which may, without limitation, include an indemnity (secured or otherwise));
- (b) in the case of any deduction made pursuant to (iii) in paragraph 9.1 of this Annex, the provision of appropriate documentation by or on behalf of the Defaulter;
- (c) in the case of an Affiliated Omnibus Net Segregated Clearing Client or an Identified Omnibus Net Segregated Clearing Client (for the purposes of this paragraph 9.2, the "**relevant Omnibus Net Segregated Clearing Client**") the delivery to the Clearing House by the relevant Omnibus Net Segregated Clearing Client of notification, setting out (to the satisfaction of the Clearing House, at its sole and absolute discretion and without the need for independent verification): (i) the identity of the relevant Omnibus Net Segregated Clearing Client; (ii) the relevant Omnibus Net Segregated Clearing Client's pro rata entitlement to the Collateral and amounts in respect of the close-out of Relevant Contracts held in the relevant Omnibus Segregated Account; and (iii) confirmation that the pro rata share referred to in (ii) has been agreed between the relevant Omnibus Net Segregated Clearing Client and all of the other Clearing Clients identified by the Clearing House as comprising the same single Omnibus Segregated Account as the relevant Omnibus Net Segregated Clearing Client (for the purposes of this paragraph 9.2, each such other Clearing Client being a "**relevant other Omnibus Net Segregated Clearing Client**"); and
- (d) in the case of a relevant Omnibus Net Segregated Clearing Client, the delivery to the Clearing House by each of the relevant other Omnibus Net Segregated Clearing Clients in respect of that relevant Omnibus Net Segregated Clearing Client, of notification setting out the equivalent information in respect of the relevant other Omnibus Net Segregated Clearing Client as is required to be provided to the Clearing House in the notification described in paragraph (c) above in respect of a relevant Omnibus Net Segregated Clearing Client.

The Clearing House will determine in its sole and absolute discretion, in accordance with its default management procedures applicable to the Relevant Client Clearing Business and its risk management obligations, the period of time (the "**Return Window**") during which it will seek to give effect to instructions received from Clearing Clients in accordance with this paragraph 9.2. The Clearing House may determine a different Return Window in respect of each different type of Client Account opened by the Defaulter with the Clearing House (where Individual Segregated Accounts, Omnibus Gross Segregated Accounts, Identified Client Omnibus Net Segregated Accounts and Affiliated Client Omnibus Net Segregated Accounts are each a different "type of Client Account") and will publish each such Return Window on its website. Any Client Clearing Entitlement which has not been

paid by the Clearing House to the relevant Clearing Client in accordance with this paragraph 9.2 by the time of the expiry of the relevant Return Window shall instead be paid to the Defaulter for the account of the relevant Clearing Client in accordance with paragraph 9.1 above.

9.3 In the case of the Non-Identified Omnibus Segregated Clearing Clients of a Defaulter, the Clearing House shall calculate the aggregate entitlement to Collateral and amounts in respect of the close-out of Relevant Contracts (the "**Aggregate Omnibus Client Clearing Entitlement**") of the Defaulter in respect of all such clients collectively reflecting (a) the addition of any sums due from the Clearing House in respect of the close-out of the Relevant Contracts entered into by the Defaulter in respect of the relevant clients and (b) the deduction of (i) the costs of any hedging undertaken; (ii) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the relevant client (in the case of Relevant Auction Contracts, such amounts, together with the amounts referred to in (a) and the costs referred to in (b)(i) of this paragraph 9.3, being determined by the Clearing House under the processes provided for by the SwapClear DMP Annex, the ForexClear DMP Annex or the RepoClear DMP Annex (as applicable)); (iii) any amounts to be deducted to reflect the operation of any set-off provision contained in a Clearing Agreement entered into between the Defaulter and any such relevant client and confirmed in writing to the Clearing House by or on behalf of both such parties; and (iv) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulter in respect of the other Non-Identified Omnibus Segregated Clearing Clients of the Defaulter, in each case allocated *pro rata* as the Clearing House sees fit in its sole discretion. All amounts calculated in respect of Aggregate Omnibus Client Clearing Entitlements under this paragraph 9.3 shall be paid by the Clearing House to the Defaulter for the account of the relevant clients.

10. Risk Neutralisation and the auction process relating to the Relevant Auction Contracts which are SwapClear Contracts shall be conducted in accordance with the provisions of the SwapClear DMP Annex, save that no hedging shall be undertaken in respect of any Relevant Contract relating to SwapClear Client Clearing Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such SwapClear DMP Annex.

11. Risk Neutralisation and the auction process relating to the Relevant Auction Contracts which are ForexClear Contracts shall be conducted in accordance with the provisions of the ForexClear DMP Annex, save that no hedging shall be undertaken in respect of any Relevant Contract relating to ForexClear Clearing Client Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such ForexClear DMP Annex.

12. Risk Mitigation and the auction process relating to the Relevant Auction Contracts which are Fixed Income Contracts shall be conducted in accordance with the provisions of the RepoClear DMP Annex, save that no hedging shall be undertaken in respect of any Fixed Income Contract which is a Relevant Contract relating to



RepoClear Client Clearing Business until such time as the Clearing House has determined that the Relevant Contract in question will not be ported, from which time such contract shall be a Relevant Auction Contract and included in a Portfolio in accordance with the terms of paragraph 2 of this Client Clearing Annex and the terms of such RepoClear DMP Annex.

13. Determination of the Account Balances, the Client Clearing Entitlements and the Aggregate Omnibus Client Clearing Entitlements will be undertaken by the Clearing House in accordance with its own records based on information provided to it by the Defaulter. The Clearing House shall be under no obligation to verify or to conduct any independent enquiry in respect of any such information and shall be entitled for all purposes to treat it as definitive. However, the Clearing House may, in its absolute discretion, adjust its records to reflect any matter which it believes should be taken into account in determining the Account Balances, the Client Clearing Entitlements and/or the Aggregate Omnibus Client Clearing Entitlements.
14. Nothing in this Client Clearing Annex shall give rise to a requirement for the Clearing House to take any action which would contravene the provisions of any applicable laws or of any United Nations, European Union or other sanctions or other similar measures implemented or effective with respect to a Clearing Client which is, or is controlled by or otherwise connected with, a person resident in, incorporated in or constituted under the laws of, or carrying on business in a country to which any such sanctions or other similar measures apply, or is otherwise the target of any such sanctions or other similar measures.
15. Subject to this paragraph and to paragraph 16 below, a person who is not a party to this Client Clearing Annex (the parties to this Client Clearing Annex for these purposes being the Clearing House and the Clearing Members) has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce any term of this Client Clearing Annex.
16. Clearing Clients of a Defaulter may enforce the terms of this Client Clearing Annex subject to and in accordance with Regulation 52 (*Exclusion of Liability*) and the provisions of the Third Parties Act.
17. Notwithstanding paragraph 16 above, the Clearing House will not require the consent of the Clearing Clients to rescind or to vary this Client Clearing Annex at any time.
18. A Clearing Client of a Defaulter may not assign or transfer or purport to assign or to transfer a right to enforce a term of this Client Clearing Annex under the Third Parties Act.

**SCHEDULE 2**  
**SWAPCLEAR DMP ANNEX**

**1. Scope and Interpretation**

**1.1** The Clearing House has established a SwapClear DMP which will apply to SwapClear Contracts following the issue of a Default Notice relating to a SwapClear Clearing Member and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the SwapClear DMP are elaborated to the fullest extent possible in this Annex. Where exhaustive detail cannot be laid out in the provisions of this Annex, the SwapClear DMP will be undertaken on the basis of the principles contained herein.

**1.2** The Clearing House has an obligation to ensure the on-going integrity of the SwapClear service and SwapClear Contracts in the interests of the Non-Defaulting SCMs. When a SwapClear Clearing Member defaults, Non-Defaulting SCMs are required to supply impartial expertise through the SwapClear DMG and to bid for the Auction Portfolios of a Defaulting SCM, as laid out in this Annex. In addition, most SCMs or their parent companies or subsidiaries or fellow subsidiaries, have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House. Each SCM shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a SCM arising out of this ~~SwapClear DMP~~ Annex.

**1.3** The initial ~~margin requirements~~ margin process in respect of SwapClear Contracts will be such so as to ensure that the acceptance of bids for the Auction Portfolios of a Defaulting SCM will recognise risk premiums, and that equivalent premiums will be paid by the Clearing House in closing-out large positions in other Contracts traded on exchange or ATS-organised markets.

**1.4** In this Annex:

~~“AIP”~~ has the meaning given in Rule ~~2.4~~2.4 of this Annex;

~~“Auction”~~ means the process of bidding by SwapClear Clearing Members for an Auction Portfolio prescribed by the Clearing House following consultation with the SwapClear DMG from time to time in accordance with Rule ~~2.3~~2.3 of this Annex;

~~“Auction Currency” means in relation to an Auction, the currency of an Auction Portfolio which is the subject of that Auction;~~

~~“Auction Losses”~~ has the meaning given in Rule ~~2.5~~2.5(b) of this Annex;

~~“Auction Portfolio”~~ means (i) a Portfolio; or (ii) a group of SwapClear Contracts resulting from the splitting of a Portfolio pursuant ~~Rule 2.1 to Rule 2.1~~ of this Annex including any connected hedging trades concluded by the Clearing House through Risk Neutralisation;

~~“Auction Portfolio Category” means in relation to an Auction Portfolio, the SwapClear Contract Category to which the SwapClear Contracts in the Auction Portfolio belong, provided that in the case of an Auction Portfolio containing both~~



IRS SwapClear Contracts and Inflation SwapClear Contracts, the relevant Auction Portfolio Category shall be deemed to be the Inflation SwapClear Contract Category;

"Auction Portfolio Currency" means in relation to an Auction Portfolio, the SwapClear currency in which the SwapClear Contracts in the Auction Portfolio are denominated;

"Bankruptcy Code" means the U.S. Bankruptcy Code, as amended;

"CEA" means the U.S. Commodity Exchange Act, as amended;

"CFTC" means the U.S. Commodity Futures Trading Commission;

~~"Currency Participant" means, in respect of a specific SwapClear currency, a Non-Defaulting SCM who at the time the Clearing House declares a Default has SwapClear Contracts for that SwapClear currency registered in its name;~~

"Derivatives Clearing Organization" means an organisation designated and registered as such by way of United States Code Title 7, Chapter 1, paragraph 7a-1;

"Equal Bid" has the meaning given in Rule ~~2.3.5~~2.3(e) of this Annex;

"Expected Auction Participant" means, in respect of an Auction Portfolio, any Non-Defaulting SCM who, at the time the Clearing House declares a Default, has at least one Resembling Contract registered in its name;

"FCM SwapClear Client Business" means the provision of FCM SwapClear Client Clearing Services by an FCM Clearing Member to its FCM Clients;

"FCM SwapClear House Business" means the FCM SwapClear Contracts entered into by an FCM Clearing Member for its own account or for the account of an Affiliate;

"Guidance" means guidance, in the form of one or more written notices, issued from time to time pursuant to Rule ~~1.21.2~~ of this Annex by or on behalf of the Clearing House to SwapClear Clearing Members, supplementing the detail or conduct of any aspect of the SwapClear DMP;

"Higher Bid" and "Higher Bidder" have the meanings given in Rule ~~2.5.3~~2.5(c) of this Annex;

"Inflation SwapClear Contract Category" means the category of SwapClear Contracts which comprises Inflation SwapClear Contracts registered with the Clearing House;

"Initial Resources" has the meaning given in Rule ~~2.5.2~~2.5(b) of this Annex;

"IRS SwapClear Contract Category" means the category of SwapClear Contracts which comprises IRS SwapClear Contracts registered with the Clearing House;

"Losing ~~Currency~~ AP Type" has the meaning given in Rule 2.5(d) of this Annex;

"Losing Original SCM" has the meaning given in Rule 2.5.4 of this Annex;

~~“Losing Currency Original SCM”~~ has the meaning given in Rule 2.5.4 of (d) of this Annex;

~~“Losing Currency Unfunded SCM”~~ has the meaning given in Rule 2.5.7 2.5(g) of this Annex;

~~“Margin Cover”~~ has the meaning given in Rule 16(1) 15(a) of the Default Fund Rules;

~~“Non-Defaulters’ Contributions”~~ means the SwapClear Contributions made by Non-Defaulting SCMs to the SwapClear Default Fund;

~~“Original Contributions”~~ has the meaning given in Rule 2.5.3 2.5(c) of this Annex;

~~“Portfolios”~~ means, in respect of each SwapClear currency, the SwapClear Contracts in such currency registered in the name of a Defaulting SCM; in respect of House Clearing Business or the SwapClear Contracts in such currency registered in the name of a Defaulting SCM in respect of Client Clearing Business and, in both such cases includes, where relevant, ~~includes~~ any ~~connected~~ hedging trades connected to the relevant SwapClear Contracts concluded by the Clearing House through Risk Neutralisation. For the avoidance of doubt, a Portfolio containing SwapClear Contracts relating to the Client Clearing Business of a Defaulting SCM will only contain SwapClear Contracts relating to Client Clearing Business. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio;

~~“Potential Unfunded Contributions”~~ has the meaning given in Rule 2.4.2 2.4(b) of this Annex;

“Recognised Clearing House” mean an organisation which is declared to be a recognised clearing house by a recognition order (that is for the time being in force) made under section 290(1)(b) of the Financial Services and Markets Act 2000;

~~“Recognised Clearing House” mean an organisation which is declared to be a recognised clearing house by a recognition order (that is for the time being in force) made under section 290(1)(b) of the Financial Services and Markets Act 2000;~~

~~“Relevant Original Contributions”~~ has the meaning given to it in Rule 2.5.3 2.5(c) of this Annex;

~~“Relevant Unfunded Contributions”~~ has the meaning given to it in Rule 2.5.6 2.5(f) of this Annex;

~~“Remaining Original Short Bidder”~~ has the meaning given in Rule 2.5.3 2.5(c) of this Annex;

~~“Remaining Unfunded Short Bidder”~~ has the meaning given to it in Rule 2.5.6 2.5(f) of this Annex;

“Resembling Contract” means, in respect of the SwapClear Contracts in a specific Auction Portfolio, a SwapClear Contract registered in the name of a Non-Defaulting SCM that (i) is denominated in the same Portfolio Currency as such SwapClear

Contracts and (ii) belongs to the SwapClear Contract Category which corresponds to the Auction Portfolio Category of such Auction Portfolio;

"Risk Neutralisation" means the process of reducing the market risk associated with a Defaulting SCM's obligations to the Clearing House under SwapClear Contracts by hedging the exposure prior to the auction process as described in Rule ~~2.2.2~~ of this Annex;

"Short Bidder" has the meaning given in Rule ~~2.5.3~~2.5(c) of this Annex;

"SwapClear Contract Category" means a category of SwapClear Contracts, being either the Inflation SwapClear Contract Category or the IRS SwapClear Contract Category;

"SwapClear Default Management Process Completion Date" means the date when the SwapClear Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the SwapClear DMG and notified to all SCMs;

"SwapClear DMG" means the advisory Default Management Group established by the Clearing House pursuant to the terms of this Annex;

"SwapClear DMP or SwapClear Default Management Process" means the processes of the Clearing House outlined in this Annex, as the same may be supplemented and/or amended from time to time in accordance with this Annex; and

"Worst Case Loss" means, in respect of ~~an Auction Portfolio or all of (i)~~ the SwapClear Contracts in an Auction Portfolio or (ii) the Resembling Contracts of a particular Non-Defaulting SCM ~~denominated in a particular currency~~, the largest loss which could be incurred by the Clearing House in respect of the relevant group of SwapClear Contracts, as determined by the Clearing House using the SwapClear PAIRS margining algorithm based on ~~1250~~2,500 historical scenarios (~~5~~10 years history) and a holding period of 5 days.

Terms used in this Annex which are not defined herein shall have the meanings given to them in the Regulations and in the FCM Regulations.

## 2. **SwapClear Clearing House Business and FCM SwapClear House Business**

The SwapClear Default Management Process in respect of SwapClear Clearing House Business and FCM SwapClear House Business shall involve the stages described in this Rule ~~2.2~~.

### 2.1 **Portfolio Splitting**

The Clearing House, in consultation with and with the assistance of the SwapClear DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule ~~2.3~~2.3 of this Annex. The overriding principle behind the portfolio splitting process is that the Clearing House will structure Auction Portfolios with the intention of ensuring a SwapClear DMP which best protects the

resources of the Clearing House, subject to compliance with applicable provisions of the CEA and the CFTC Regulations regarding segregation of client assets. Therefore, nothing in this Rule ~~2.12.1~~ shall be deemed to imply: (a) that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting SCM (regardless of the number of SwapClear Contracts that such Portfolio contains); or (b) any particular requirements as to the composition of an individual Auction Portfolio, (including in terms of combining or separating (i) SwapClear Contracts belonging to different SwapClear Contract Categories or (ii) Inflation SwapClear Contracts having different underlying indices), except that, subject to overriding risk procedures, it is broadly anticipated that: (a) the parameters of any Auction Portfolio shall not be materially different to those set out in the Clearing House's fire drill and (b) an Auction Portfolio containing Inflation SwapClear Contracts will often also contain SwapClear Contracts which are not Inflation SwapClear Contracts, for the purposes of interest rate risk neutralisation.

## 2.2 **Risk Neutralisation**

The Clearing House will, in consultation with and with the assistance of the SwapClear DMG, reduce the market risk associated with a Defaulting SCM's obligations to the Clearing House so far as is reasonably practicable by hedging the Clearing House's exposure in open SwapClear Contracts to which the Defaulting SCM is party. All such hedging shall be undertaken by the Clearing House with SCMs, on the basis of separate agreements between the Clearing House and each such SCM. The aim of Risk Neutralisation is to reduce market exposure to within defined tolerance limits expressed as deltas or other measures of market risk and as established from time to time by the Clearing House in consultation with the SwapClear DMG or as may reasonably be determined by the Clearing House in consultation with the SwapClear DMG once a Default has been declared under the Default Rules. For the avoidance of doubt, Risk Neutralisation may happen prior to, concurrently with and/or subsequently to the splitting of a Portfolio pursuant to Rule ~~2.12.1~~ above.

## 2.3 **Auction**

2.3.1(a) Following the completion of Risk Neutralisation, the Clearing House shall auction each Auction Portfolio to Non-Defaulting SCMs in order to seek to re-establish the positions it had with the Defaulting SCM under the SwapClear Contracts in each Auction Portfolio with Non-Defaulting SCMs and to seek to determine the net value of those SwapClear Contracts for the purposes of determining the extent of any losses to the Clearing House which are to be reduced or borne in the manner provided by Rule ~~4.6.15~~ (*Reduction of Losses on Default*) of the Default ~~Fund~~ Rules or, as the case may be, the extent of any gains to the Clearing House which the Clearing House must pay to the Defaulting SCM. The Clearing House, in consultation with the SwapClear DMG, shall prescribe such procedures (in addition to those set out herein) for the conduct of the auction process as it considers reasonably appropriate from time to time.

2.3.2(b) The Clearing House shall notify each SCM of all details that may be reasonably required in relation to an Auction Portfolio prior to the relevant Auction.

2.3.3(c) The auction process may take place over a number of days and Auctions of different Auction Portfolios may take place at different times.

2.3.4(d) SCMs will submit bids to the Clearing House representatives on the SwapClear DMG, who will ensure that the identities of the bidders are not revealed to the SCM representatives on the SwapClear DMG. For the avoidance of doubt, an SCM shall be entitled to submit a bid on behalf of one or more affiliated SCMs. The SwapClear DMG will oversee the bidding process in a manner which it considers best protects the resources of the Clearing House and ensures an orderly process.

2.3.5(e) The Clearing House in consultation with the SwapClear DMG will have full discretion in deciding whether or not to accept a particular bid in an Auction and, in so deciding, will take into account the relevant factors that determine risk premiums, as well as the range of bids received relative to the amount of Collateral held ~~by the Clearing House~~ in respect of initial margin and, subject to their availability, the Clearing House resources as set out in Rule ~~16~~15 of the ~~Clearing House's~~ Default ~~Fund~~ Rules. In the event that more than one SCM submits a bid of the same value (each an ~~"Equal Bid"~~), the Clearing House will, subject to its discretion to reject all such Equal Bids, select the bid which was received first in time.

2.3.6(f) In the case of an Auction in which no bid is accepted or received (as the case may be), one or more further Auctions will be held in relation to the relevant Auction Portfolio. As soon as practicable following an Auction:

~~(a)(i)~~ in the event that a bid was accepted, the Clearing House will notify ~~those Currency Participants in the relevant~~Expected Auction Currency Participants together with any other SCMs who participated in the Auction that a bid was accepted and shall notify the SCM who submitted the accepted bid that its bid was accepted;

~~(b)(ii)~~ in the event that no bid was accepted, the Clearing House will notify all SCMs of the details of any further Auction.

2.3.7(g) The SCM agrees to use all reasonable efforts to make a bid in an Auction for an Auction Portfolio in respect of which such SCM is a Currencyan Expected Auction Participant.

## 2.4 *Auction Incentive Pools*

2.4.1(a) Before commencing the auction process, the Clearing House will calculate an auction incentive pool (each an ~~"AIP"~~) for each individual Auction Portfolio for the purposes of providing an initial allocation of the resources potentially available to it to satisfy any loss incurred in the Auction of each such Auction Portfolio. Notwithstanding such initial allocation, any resources utilised by the Clearing House will be allocated in accordance with Rule ~~2.5~~2.5 below.

2.4.2(b) For each AIP, the resources shall be allocated as follows:

~~(a)(i)~~ the resources of the Defaulting SCM (in the form of: (i) that part of the Margin Cover for the SwapClear Contracts of the Defaulting SCM pursuant to Rule ~~16(a)15(a)~~ of the Default ~~Fund~~ Rules and (ii) the SwapClear Contribution made by the Defaulting SCM to the SwapClear Default Fund) available pursuant to Rule ~~16(b)15(b)~~ of the Default ~~Fund~~ Rules at the time of the auction process will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; the portion of the Capped Amount applied to the SwapClear Business of the Defaulting SCM pursuant to Rule ~~16(e)15(c)~~ of the Default ~~Fund~~ Rules will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; and

~~(b)(ii)~~ the Non-~~d~~Defaulters<sup>2</sup> Contribution of each SCM and the total value of the SwapClear Unfunded Contributions which would be callable but have not been called by the Clearing House from the relevant SCM in respect of the relevant Default in accordance with Rule S8 of the Default ~~Fund~~ Rules (the "~~\"~~**Potential Unfunded Contributions**~~\"~~") will, ~~subject to Rule 2.4.3 below,~~ be allocated between ~~the AIPs~~each AIP relating to ~~the an~~ Auction Portfolios in respect of which the relevant SCM ~~is a Currency Participant has Resembling Contracts~~ based on the proportion that: (a) the risk of the ~~SwapClear~~Resembling Contracts of such SCM ~~denominated in~~related to the relevant ~~currency~~Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) ~~in respect of each currency in which~~for all of the Resembling Contracts of such SCM; provided that where there is more than one Auction Portfolio that corresponds to the same Resembling Contracts, the Non-Defaulter's Contributions and Potential Unfunded Contributions allocated to the AIP related to those Resembling Contracts will be further divided for the purposes of allocation into AIPs relating to the relevant SCM is Auction Portfolios based on the proportion that (a) the risk of the SwapClear Contracts in each such Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a-Currency Participant) for each of the Auction Portfolios corresponding to the relevant Resembling Contracts.

2.4.3(c) Where a Portfolio for a particular SwapeClear currency has been split into two or more Auction Portfolios, the Non-~~d~~Defaulters<sup>2</sup> Contributions and Potential Unfunded Contributions allocated to the AIP related to the relevant Portfolio will be further divided for the purposes of allocation into AIPs relating to the relevant Auction Portfolios based on the proportion that (a) the risk of the SwapClear Contracts in each such Auction Portfolio bears to (b) the aggregate of the amounts calculated in (a) for each of the Auction Portfolios in the relevant currency.



## 2.5 Loss Attribution

2.5.1(a) Following the completion of all Auctions of all Auction Portfolios of the Defaulting SCM, the Clearing House will determine whether losses incurred by it as a result of such Auctions are such that the Non-~~d~~Defaulters<sup>2</sup>' Contributions must be utilised. Where applicable, such losses will be allocated to Non-~~d~~Defaulters<sup>2</sup>' Contributions in accordance with the loss attribution process described in ~~Rules 2.5.2~~Rule 2.5(b) to ~~2.5.8~~2.5(h) of this Annex.

2.5.2(b) For each Auction Portfolio, losses to the Clearing House will be met using the resources as set out in ~~Rule 16.15~~. In applying those resources, the Clearing House will allocate the losses in respect of each Auction Portfolio (the "Auction Losses") by reference to the resources allocated to the AIPs related to such Auction Portfolios in accordance with ~~Rule 2.4.2.4~~ of this Annex. Where there are no Auction Losses in respect of an Auction Portfolio or the Auction Losses in respect of an Auction Portfolio do not require the full amount of the resources referred to in sub-paragraphs ~~(a)(i)~~ and ~~(b)(ii)~~ of ~~Rule 2.4.2.4(b)~~ of this Annex allocated to the AIP related to the relevant Auction Portfolio (the "Initial Resources") to be fully utilised, the relevant surplus Initial Resources will be allocated *pro rata* between those AIPs relating to Auction Portfolios in respect of which there are Auction Losses requiring the utilisation of resources beyond the Initial Resources available in the relevant AIP in accordance with ~~Rule 16(1), 16(2)~~Rules 15(a), 15(b) and ~~16(3)~~15(c) until such time as all Initial Resources have been fully utilised.

2.5.3(c) In the case of each Auction for which there are Auction Losses in respect of which the Non-~~d~~Defaulters<sup>2</sup>' Contributions must be utilised, those Non-~~d~~Defaulter<sup>2</sup>'s Contributions, not including, for these purposes, any part of such Non-~~d~~Defaulters<sup>2</sup>' Contributions that reflect any SwapClear Unfunded Contribution deposited with the Clearing House pursuant to the Default in respect of which the relevant Auction was held (the "Original Contributions") and which have been allocated to the AIP relating to the relevant Auction Portfolio (the "Relevant Original Contributions") will be used first in the following order:

~~(a)(i)~~ The Auction Losses will be attributed to the Relevant Original Contributions of those SCMs who are ~~Currency-Expected Auction~~ Participants in respect of the relevant Auction ~~Currency~~Portfolio and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Original Contribution of an individual SCM pursuant to this sub-paragraph ~~(i)(i)~~ based upon the proportion that: (a) the value of the Relevant Original Contribution of such SCM bears to (b) the total value of the Relevant Original Contributions of all SCMs who are ~~Currency-Expected Auction~~ Participants in respect of the relevant Auction ~~Currency~~Portfolio and who did not bid in the relevant Auction;

~~(b)(ii)~~ If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(i)(i)~~ above, those Auction Losses will be attributed to the Relevant Original

Contributions of the Short Bidders. For the purposes of this sub-paragraph ~~(ii)(ii)~~ and sub-paragraph ~~(ii)(ii)(f)~~ of Rule ~~2.5.6~~2.5(f) of this Annex the term "Short Bidder" means any SCM who is ~~a Currency~~ an Expected Auction Participant ~~in the Auction Currency~~ and who submitted an unsuccessful bid in the relevant Auction save for any SCM who submitted a higher bid in an Auction than the bid accepted by the Clearing House in accordance with Rule ~~2.3.4~~2.3(d) of this Annex (each such SCM, a "Higher Bidder" and each such bid, a "Higher Bid").

Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)(ii)~~ based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid (denominated in units of the relevant Auction Portfolio Currency) bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Portfolio Currency);.

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)(ii)~~ is greater than the value of the Relevant Original Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Original Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph ~~(ii)(ii)~~ (each a "Remaining Original Short Bidder") by (a) calculating the amount which is the bid of the relevant Remaining Original Short Bidder divided by the sum of the bids of all Remaining Original Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses;.

The Clearing House will repeat the loss attribution process described in this sub-paragraph ~~(ii)(ii)~~ until the first to occur of (a) the Auction Losses being fully met; and (b) the Relevant Original Contributions of all Short Bidders being fully attributed; ~~and~~

~~(e)(iii)~~ If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(ii)(ii)~~ above, those Auction Losses will be attributed to the Relevant Original Contribution of the SCM who submitted the winning bid, together with, where applicable, the Relevant Original Contribution of any SCM who submitted a bid which ~~is~~was an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Original Contribution of an individual SCM pursuant to this sub-paragraph ~~(ii)(iii)~~ based upon the proportion that: (a) the value of the Relevant Original Contribution of such SCM bears to (b) the total value of the Relevant Original Contributions of (i) the SCM who submitted the winning bid; (ii) any SCMs who submitted an Equal Bid to such winning bid; and (iii) any SCMs who were Higher Bidders, in the relevant Auction; ~~and~~ and



(iv) ~~If~~ if, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph ~~(iii)~~(iii) above, and there are AIPs relating to other Auction Portfolios containing SwapClear Contracts denominated in the same Auction Portfolio Currency and belonging to the same Auction Portfolio Category as the relevant Auction Portfolio in which the Relevant Original Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auctions Losses amongst such Remaining Original Contributions through the attribution process set out in sub-paragraphs ~~(i) to (iii)~~(i) to (iii) above.

2.5.4(d) ~~If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.32.5(c) above, those Auction Losses will be attributed to the Original Contributions of those SCMs who are Currency Participants (each a "Losing Original SCM") who have Resembling Contracts in respect of any other of the Auction Currency Portfolios in relation to which Auction Losses have arisen to the extent that Non-defaulters' Contributions must be utilised (each a "Losing Currency" AP Type) and whose Original Contributions have not yet been fully utilised (each a "Losing Currency Original SCM").~~ Such remaining Auction Losses will be attributed to any remaining Original Contribution of each such SCM pursuant to this Rule 2.5.4(d) based upon the proportion that: (a) the risk of all of the SwapClear Resembling Contracts of such SCM denominated in each respect of the all such Losing Currencies AP Types bears to (b) the aggregate of the amounts calculated in (a) for all Losing ~~Currency~~ Original SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.4(d) until the first to occur of (a) the Auction Losses being fully met; and (b) the Original Contributions of all Losing ~~Currency~~ Original SCMs being fully attributed.

2.5.5(e) ~~If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.42.5(d) above, those remaining Auction Losses will be allocated to the Original Contributions of each SCM who is not a Currency Participant Losing Original SCM in respect of any of the Losing Currencies AP Types based upon the proportion that (a) the value of each such Original Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such SCMs.~~

2.5.6(f) ~~If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.5(d) above, the SwapClear Unfunded Contributions which have been allocated to the AIP relating to the relevant Auction Portfolio (the "Relevant Unfunded Contributions") will be used first in the following order:~~

(a)(i) ~~The~~ the Auction Losses will be attributed to the Relevant Unfunded Contributions of those SCMs who are ~~Currency Expected Auction Participants in respect of the relevant Auction Currency Portfolio and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Unfunded Contributions of an individual SCM pursuant to this sub-paragraph (i) based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such SCM~~

bears to (b) the total value of the Relevant Unfunded Contributions of all SCMs who are ~~Currency-Expected Auction~~ Participants in respect of the relevant Auction Currency Portfolio and who did not bid in the relevant Auction;

~~(b)(ii)~~ If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(i)~~ above, those Auction Losses will be attributed to the Relevant Unfunded Contributions of the Short Bidders in the relevant Auction. Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)~~ based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid (denominated in units of the relevant Auction Portfolio Currency) bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid (denominated in units of the relevant Auction Portfolio Currency);.

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)~~ is greater than the value of the Relevant Unfunded Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Unfunded Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph ~~(ii)~~ (each a "Remaining Unfunded Short Bidder") by (a) calculating the amount which is the bid of the relevant Remaining Unfunded Short Bidder divided by the sum of the bids of all Remaining Unfunded Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses;.

The Clearing House will repeat the loss attribution process described in this sub-paragraph ~~(ii)~~ until the first to occur of (a) the Auction Losses being fully met; and (b) the Relevant Unfunded Contributions of all Short Bidders being fully attributed; ~~and~~

~~(e)(iii)~~ If and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(ii)~~ above, those Auction Losses will be attributed to the Relevant Unfunded Contribution of the SCM who submitted the winning bid, together with, where applicable, the Relevant Unfunded Contribution of any SCM who submitted a bid which ~~is~~ was an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Unfunded Contribution of an individual SCM pursuant to this sub-paragraph ~~(iii)~~ based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such SCM bears to (b) the total value of the Relevant Unfunded Contributions of (i) the SCM who submitted the winning bid; (ii) any SCMs who submitted an Equal Bid to such winning bid; and (iii) any SCMs who were Higher Bidders, in the relevant Auction; ~~and~~

(iv) If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph ~~(iii)~~ above, and there are AIPs relating to other Auction Portfolios

containing SwapClear Contracts denominated in the same Auction Portfolio Currency and belonging to the same Auction Portfolio Category as the relevant Auction Portfolio in which the Relevant Unfunded Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auctions Losses amongst such Remaining Unfunded Contributions through the attribution process set out in sub-paragraphs ~~(i) to (iii)~~ (i) to (iii) above.

2.5.7(g) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.62.5(f) above, those Auction Losses will be attributed to the SwapClear Unfunded Contributions of those SCMs (each a "Losing Unfunded SCM") who ~~are Currency Participants~~ have Resembling Contracts in respect of any ~~other of the~~ Losing Currency AP Types and whose SwapClear Unfunded Contributions have not yet been fully utilised ~~(each a "Losing Currency Unfunded SCM")~~. Such remaining Auction Losses will be attributed to any remaining SwapClear Unfunded Contributions of each such SCM pursuant to this Rule 2.5.72.5(g) based upon the proportion that: (a) the risk of all of the SwapClear Resembling Contracts of such SCM ~~denominated in each respect~~ of the all such Losing Currencies AP Types bears to (b) the aggregate of the amounts calculated in (a) for all Losing Currency Unfunded SCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.72.5(g) until the first to occur of (a) the Auction Losses being fully met; and (b) the SwapClear Unfunded Contributions of all Losing Currency Unfunded SCMs being fully attributed.

2.5.8(h) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.72.5(g) above, those remaining Auction Losses will be allocated to the SwapClear Unfunded Contributions of each SCM who is not a Currency Participant Losing Unfunded SCM in respect of any of the Losing Currencies AP Types based upon the proportion that (a) the value of each such SwapClear Unfunded Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such SCMs.

2.6 For the purposes of Rules 2.4 and 2.5 above, all references to the risk associated with ~~an Auction Portfolio or with all of (i)~~ the SwapClear Contracts in an Auction Portfolio or (ii) the Resembling Contracts of a Non-Defaulting SCM ~~denominated in a particular currency~~, shall be references to such risk as determined by the Clearing House in its sole discretion on the basis of Worst Case Loss.

### 3. **Default Management in respect of SwapClear Client Clearing ~~Client~~ Business and FCM SwapClear Client Business**

3.1 The SwapClear DMP in respect of any contract which is a SwapClear Contract in respect of SwapClear Client Clearing ~~Client~~ Business shall involve the stages described in ~~Regulation 52B~~ the Client Clearing Annex (which such stages, for the avoidance of doubt, will result in a SwapClear Contract in respect of SwapClear Client Clearing Business being dealt with in accordance with Rule 2 above in the event that it cannot be ported by the Clearing House).

3.2 The SwapClear DMP in respect of any contract which is an FCM SwapClear Contract in respect of FCM SwapClear Client Business shall be conducted in accordance with

FCM Regulation ~~8(f)~~13(e) (Transfer). The provisions of Default Rule ~~9A~~10 shall also apply.

#### 4. **Transfer of Cash Flows and Registration of Positions**

4.1 Following the disposal of an Auction Portfolio by way of Auction (and notwithstanding that other Auction Portfolios of the Defaulting SCM may not yet have been auctioned) the Clearing House, will, with the co-operation of the SCMs, transfer to the SCM whose bid won that Auction Portfolio the rights and obligations, from the Defaulting SCM, arising out of the positions which that SCM has successfully bid for under the SwapClear Default Management Process. Such transfer may take place by way of registration of new positions with the Clearing House in the name of the relevant SCM, or novation of rights and obligations to the relevant SCM. All such registrations shall be made in a way that recognises the Collateral ~~transferred to or by the Clearing House~~paid or received in respect of variation margin in relation to the SwapClear Contracts of the Defaulting SCM representing such new positions.

4.2 In order to effect the transfer of positions, the Clearing House shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. SCMs will be required to exercise best endeavours to comply with such requirements as may be established by the Clearing House, after consultation with the SwapClear DMG, to effect the transfer of positions, including but not limited to the payment of any sums due as a result of the winning bid and the ~~transfer~~provision of Collateral in an amount required by the Clearing House ~~for~~in respect of initial margin and variation margin obligations in respect of positions which are to be registered in their names. The Clearing House agrees that in such procedures it shall make provision for set-off by the Clearing House of amounts owed by the Clearing House to the SCM as a result of the operation of the SwapClear DMP against sums owed by the SCM to the Clearing House in respect thereof.

4.3 Where, as a result of an Auction, the Clearing House is required to make a payment to a SCM in respect of a winning bid, the Clearing House shall not be permitted to register any position, whether as a new position or as a novation of existing rights and obligations, to any such SCM if the Clearing House does not simultaneously credit that SCM with the requisite amount. If any position is so registered without such payment, such registration shall be deemed void *ab initio* and unenforceable against the relevant SCM. For the avoidance of doubt, the Clearing House will utilise the resources available to it pursuant to Rule ~~16~~15 of the Default ~~Fund~~ Rules for the purposes of making such a payment notwithstanding that other Auction Portfolios of the Defaulting SCM may not yet have been auctioned and that the loss attribution process provided for by Rule ~~2.5~~2.5 of this Annex has not yet occurred.

#### 5. **Information Regarding the SwapClear DMP**

5.1 Whenever the SwapClear DMP is implemented by the Clearing House in respect of a Defaulting SCM, the Clearing House will, with the assistance of the SwapClear DMG, provide such ongoing information to SCMs as the Clearing House deems reasonably appropriate in respect of the progress of the SwapClear DMP.

5.2 Nothing in this Rule ~~5~~5 shall require the Clearing House to disclose information in respect of the SwapClear DMP which, in the reasonable opinion of the Clearing

House, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the Clearing House's reasonable opinion, inappropriate for disclosure to SCMs.

## 6. **Bankruptcy Code and Related Issues**

Notwithstanding any other provision of this Annex in the event of a Default by an FCM Clearing Member, the completion of any and all actions, including but not limited to any transfers or transactions, permitted or required to be taken by the Clearing House hereunder shall be subject in all respects to the provisions of the Bankruptcy Code, Part 190 and Part 22 of the CFTC Regulations, the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, and the receipt of any approvals required under the Bankruptcy Code or such regulations.

## 7. **CEA Issues**

Notwithstanding any other provision of this Annex in the event of a Default by an FCM Clearing Member, the operation of this Annex shall in all respects be subject to applicable provisions of the CEA and CFTC Regulations (including Part 22 thereof) regarding the handling, custody, liquidation, transfer and disposition of client positions and assets, including but not limited to those provisions requiring segregation of client assets and prohibiting application of the assets of non-defaulting clients to amounts owed by defaulting clients.

## 8. **Miscellaneous**

8.1 Subject to Rules 2.42.4 and 2.5 of this Annex, the resources available to the Clearing House and their order of use are defined in Rule 1615 of the Default Fund Rules as modified and/or supplemented by the SwapClear Default Fund Supplement.

8.2 The Clearing House may from time to time supplement the details of any of the stages set out in Rule 22 of this Annex or any other aspects of the SwapClear DMP, in consultation with the SwapClear DMG, either by way of further Guidance or immediately on notice to SCMs on a case-by-case basis where the Clearing House deems it appropriate to do so in the circumstances of the Default, **provided that** the Clearing House may not take any such action that effects a material change to the terms of this Annex without the written consent of 50% per cent. of all SwapClear Clearing Members unless such change is invoked unilaterally against all SCMs and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization. The Clearing House agrees that, in the ordinary course, it shall discuss any such Guidance with the SwapClear DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (i) the Guidance is not material to the rights and obligations of the SCMs; or (ii) the Clearing House deems it inappropriate to do so in the circumstances of the Default and it is not possible to convene the SwapClear DMG in timely fashion.

8.3 The timetable for implementation of the stages of the SwapClear Default Management Process following issue of a Default Notice by the Clearing House shall be either (4) as prescribed by the Clearing House from time to time in consultation



with the SwapClear DMG and set out in the Guidance; or (2ii) imposed by the Clearing House without prior notice to the SCMs on a case-by-case basis where the Clearing House, in consultation with the SwapClear DMG, deems it appropriate to do so in the circumstances of the Default.

## 9. **Role and Constitution of SwapClear DMG**

9.1 The SwapClear DMG shall meet at regular intervals in order to:

9.1.1(a) keep under review the SwapClear DMP, together with any Guidance issued in respect thereof;

9.1.2(b) keep under review the terms of reference of the SwapClear DMG to ensure they remain appropriate;

9.1.3(c) consider appropriate supplements or amendments to the SwapClear DMP and/or Guidance in order to improve the procedures in place; and

9.1.4(d) consider any other business relevant to the SwapClear DMP which any member of the SwapClear DMG from time to time sees fit to raise at such meetings.

9.2 The members of the SwapClear DMG shall also meet within one hour, or as soon as reasonably practical, following notification by the Clearing House that a Default Notice has been served upon an SCM, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist the Clearing House in the implementation of the SwapClear DMP as contemplated under this Agreement. Such implementation shall include, without limitation, the provision of general default management advice with regard to: (1 (i)) the ongoing obligations of the Clearing House to its non-defaulting members; (2ii) the neutralisation and closing-out of the individual obligations of the Defaulting SCM; and (3iii) the splitting of Portfolios and the disposal of Auction Portfolios in accordance with the SwapClear DMP. Where it is not possible or practicable for the SCM to provide its nominated representative within an appropriate timeframe, it shall provide an alternate of suitable experience and expertise to participate on the SwapClear DMG.

9.3 The SwapClear DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by the Clearing House which shall ensure that the composition is such as to provide effective review of the SwapClear DMP and suitable expertise and representation of market-making capacity in the event of a Default:

9.3.1(a) in the event of the issuance of a Default Notice, the chief executive or deputy chief executive of the Clearing House, who shall act as chairman;

9.3.2(b) representatives of at least five SCMs, being senior executives with appropriate skills and expertise;

9.3.3(c) at least one director (staff member of director grade) of the Clearing House's Risk Management department; and

9.3.4(d) such other individuals as the SwapClear DMG considers appropriate from time to time in relation to individual meetings.

9.4 For the purpose of SwapClear DMG meetings convened to deal with a specific Defaulting SCM, the Clearing House may, after consultation with the SwapClear DMG, invite the Defaulting SCM to nominate one or more representatives to join the SwapClear DMG to assist it in carrying out its functions in the SwapClear DMP for that Defaulting SCM, and also to request representatives from any other SCMs. In the event of receiving such request, the SCM shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the SCM were a member of the SwapClear DMG.

9.5 In establishing the SwapClear DMG, the Clearing House agrees that in the normal course of events (not including the Clearing House's declaration of a Default and the invocation of the processes as outlined in Rules 2, 3, 2, 3 and 4 of this Annex) it will, as far as practicable, and in accordance with the terms of reference of the SwapClear DMG, rotate the membership of the SwapClear DMG on a regular basis and amongst all SCMs. The SCM agrees that, when requested to do so by the Clearing House, it will make available a representative to participate in the SwapClear DMG. The Clearing House shall agree with the SCM the identity of such representative and shall be able to request a substitute where it believes the SCM's nominated representative does not have the requisite skills or expertise.

9.6 Each SCM who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representative agrees:

9.6.1(a) to ensure that such representative will be fully available, at any time and for such periods of time as the Clearing House may require during the course of a Default, to perform histheir function as a member of the SwapClear DMG including attending meetings, considering and advising the Clearing House upon aspects of the SwapClear DMP. The SCM shall ensure that a representative's other work commitments do not affect histheir availability for this purpose;

9.6.2(b) to take all steps to respect the confidential capacity in which such a representative receives information through the SwapClear DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the SwapClear DMP of any such confidential information by the SCM or its representative. Such procedures shall normally include, without limitation, the establishment of Chinese walls within the SCM; and

9.6.3(c) to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with the requirements contained in the Procedures or the FCM Procedures (as the case may be).

9.7 Each SCM shall accept that:

9.7.1(a) representatives of SCMs serving on the SwapClear DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the SwapClear service in the interests of Non-Defaulting SCMs; and

9.7.2(b) representatives of SCMs serving on the SwapClear DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the SwapClear Default Management Process, **provided, however, that** nothing in this Rule ~~8.7.2~~9.7(b) shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers.

9.8 The Clearing House agrees that, in exercising its rights and obligations in consulting with the SwapClear DMG pursuant to this Agreement, it will use all reasonable commercial endeavours to agree a common position with the SwapClear DMG, **provided that** nothing in this Rule shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.



**SCHEDULE 3 FOREXCLEAR**  
**FOREXCLEAR DMP ANNEX ANNEX**

1. **Scope and interpretation**

1.1 The Clearing House has established a ForexClear DMP which will apply to ForexClear Contracts following the issuing of a Default Notice relating to a ForexClear Clearing Member and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the ForexClear DMP are elaborated to the fullest extent possible in this Annex. Where exhaustive detail cannot be laid out in the provisions of this Annex, the ForexClear DMP will be undertaken on the basis of the principles contained herein.

1.2 The Clearing House has an obligation to ensure the on-going integrity of the ForexClear Service and of the ForexClear Contracts in the interests of the Non-Defaulting FXCCMs. When a ForexClear Clearing Member defaults, Non-Defaulting FXCCMs are required to supply impartial expertise through the ForexClear DMG and to bid for the Auction Portfolios of a Defaulting FXCCM, as laid out in this Annex. In addition, most FXCCMs or their parent companies or subsidiaries or fellow subsidiaries, have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House. Each FXCCM shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a FXCCM arising out of this ForexClear DMP Annex.

1.3 The initial margin requirements margin process in respect- of ForexClear Contracts will be such so as to ensure that the acceptance of bids for the Auction Portfolio of a Defaulting FXCCM will recognise risk premiums, and that equivalent premiums will be paid by the Clearing House in closing-out large positions in other Contracts traded on exchange or ATS-organised markets.

1.4 In this Annex:

"AIP" has the meaning given in Rule 2.42.4 of this Annex;

"Auction" means the process of bidding by FXCCMs for an Auction Portfolio, prescribed by the Clearing House, following consultation with the ForexClear DMG from time to time in accordance with Rule 2.32.3 of this Annex;

"Auction Currency Pair" means in relation to an Auction, the Currency Pair of an Auction Portfolio which is the subject of that Auction;

"Auction Losses" has the meaning given in Rule 2.5.22.5(b) of this Annex;

"Auction Portfolio" means (i) a Portfolio; or (ii) a group of ForexClear Contracts resulting from the splitting of a Portfolio pursuant to Rule 2.12.1 of this Annex including any connected hedging trades concluded by the Clearing House through Risk Neutralisation;

"Bankruptcy Code" means the U.S. Bankruptcy Code, as amended;

"CEA" means the U.S. Commodity Exchange Act, as amended;

**"CFTC"** means the U.S. Commodity Futures Trading Commission;

**"Currency Pair"** ~~means~~ **has** the meaning set out at Part A of the Schedule to the ForexClear Regulations;

**"Currency Pair Participant"** means, in respect of a specific Currency Pair, a Non-Defaulting FXCCM who at the time the Clearing House declares a Default has ForexClear Contracts for that Currency Pair registered in its name;

**"Derivatives Clearing Organization"** means an organisation designated and registered as such by way of United States Code - Title 7, Chapter 1, paragraph 7a-1;

**"Equal Bid"** has the meaning given in Rule ~~2.3.5~~ 2.3(e) of this Annex;

**"FCM ForexClear Client Business"** means the provision of FCM ForexClear Client Clearing Services by an FCM Clearing Member to its FCM Clients;

**"FCM ForexClear House Business"** means the FCM ForexClear Contracts entered into by an FCM Clearing Member for its own account or for the account of an Affiliate;

**"ForexClear Default Management Process"** or **"ForexClear DMP"** means the processes of the Clearing House outlined in this Annex, as ~~the same~~ may be supplemented and/or amended from time to time in accordance with this Annex;

**"ForexClear Default Management Process Completion Date"** means the date when the ForexClear Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the ForexClear DMG and notified to all FXCCMs;

**"ForexClear DMG"** means the advisory ForexClear Default Management Group established by the Clearing House pursuant to the terms of this Annex;

**"Guidance"** means guidance, in the form of one or more written notices, issued from time to time pursuant to Rule ~~8.28.2~~ of this Annex by or on behalf of the Clearing House to FXCCMs, supplementing the detail or conduct of any aspect of the ForexClear DMP;

**"Higher Bid"** and **"Higher Bidder"** have the meanings given in Rule ~~2.5.3~~ 2.5(c) of this Annex;

**"Initial Resources"** has the meaning given in Rule ~~2.5.2~~ 2.5(b) of this Annex;

**"Losing Currency"** has the meaning given in Rule ~~2.5.4~~ 2.5(d) of this Annex;

**"Losing Currency Original FXCCM"** has the meaning given in Rule ~~2.5.4~~ 2.5(d) of this Annex;

**"Losing Currency Unfunded FXCCM"** has the meaning given in Rule ~~2.5.7~~ 2.5(g) of this Annex;

“**Margin Cover**” has the meaning given in Rule ~~16(a)~~15(a) of the Default Fund Rules;

“**Non-Defaulters’ Contributions**” means the ForexClear Contributions made by Non-Defaulting FXCCMs to the ForexClear Default Fund;

“**Original Contributions**” has the meaning given in Rule ~~2.5.3~~2.3(c) of this Annex;

“**Portfolio**” means, in respect of each Currency Pair, the ForexClear Contracts in such Currency Pair registered in the name of a Defaulting FXCCM; in respect of House Clearing Business or the ForexClear Contracts in such Currency Pair registered in the name of a Defaulting FXCCM in respect of Client Clearing Business and, in both such cases includes, where relevant, ~~includes~~ any ~~connected~~ hedging trades connected to the relevant ForexClear Contracts concluded by the Clearing House through Risk Neutralisation. For the avoidance of doubt, a Portfolio containing ForexClear Contracts relating to the Client Clearing Business of a Defaulting FXCCM will only contain ForexClear Contracts relating to Client Clearing Business. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio;

“**Potential Unfunded Contributions**” has the meaning given in Rule ~~2.4.2~~2.4(b) of this Annex;

“**Recognised Clearing House**” mean an organisation which is declared to be a recognised clearing house by a recognition order (that is for the time ~~being~~ in force) made under section 290(1)(b) of the Financial Services and Markets Act 2000;

“**Relevant Original Contributions**” has the meaning given to it in Rule ~~2.5.3~~2.5(c) of this Annex;

“**Relevant Unfunded Contributions**” has the meaning given to it in Rule ~~2.5.6~~2.5(f) of this Annex;

“**Remaining Original Short Bidder**” has the meaning given to it in Rule ~~2.5.3~~2.5(c) of this Annex;

“**Remaining Unfunded Short Bidder**” has the meaning given to it in Rule ~~2.5.6~~2.5(f) of this Annex;

“**Risk Neutralisation**” means the process of reducing the market risk associated with a Defaulting FXCCM’s obligations to the Clearing House under ForexClear Contracts by hedging the exposure prior to the auction process as described in Rule ~~2.2.2~~ of this Annex; and

“**Short Bidder**” has the meaning given in Rule ~~2.5.3~~2.5(c) of this Annex.

1.5 Terms used in this Annex which are not defined herein shall have the meanings given to them in the ~~General~~ Regulations and in the FCM Regulations.

## ~~2. FOREXCLEAR CLEARING HOUSE BUSINESS AND FCM FOREXCLEAR HOUSE BUSINESS~~

### 2. ~~ForexClear Clearing House Business and FCM ForexClear House Business~~

The ForexClear Default Management Process in respect of ForexClear Clearing House Business and FCM ForexClear House Business shall involve the stages described in this Rule ~~2.2.~~

#### 2.1 ~~Portfolio Splitting~~

The Clearing House, in consultation with and with the assistance of the ForexClear DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule ~~2.3~~2.3 of this Annex. The overriding principle is that the Clearing House will structure Auction Portfolios with the intention of ensuring a ForexClear DMP which best protects the resources of the Clearing House, subject to compliance with applicable provisions of the CEA and the CFTC Regulations regarding segregation of client assets. Therefore, nothing in this Rule ~~2.1~~2.1 shall be deemed to imply: (a) that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting FXCCM (regardless of the number of ForexClear Contracts that such Portfolio contains); or (b) any particular requirements as to the composition of an individual Auction Portfolio, except that, subject to overriding risk procedures it is broadly anticipated that the parameters of any Auction Portfolio shall not be materially different to those set out in the Clearing House's fire drill.

#### 2.2 ~~Risk Neutralisation~~

The Clearing House will, in consultation with and with the assistance of the ForexClear DMG, reduce the market risk associated with a Defaulting FXCCM's obligations to the Clearing House so far as is reasonably practicable by hedging the Clearing House's exposure in open ForexClear Contracts to which the Defaulting FXCCM is party. Hedging may be undertaken in a number of sessions, but should be undertaken as quickly as is compatible with efficient execution. All such hedging shall be undertaken by the Clearing House with FXCCMs, on the basis of separate agreements between the Clearing House and each such FXCCM. The aim of Risk Neutralisation is to reduce market exposure to within defined tolerance limits expressed as deltas or other measures of market risk and as established from time to time by the Clearing House in consultation with the ForexClear DMG or as may reasonably be determined by the Clearing House in consultation with the ForexClear DMG once a Default has been declared under the Default Rules. For the avoidance of doubt, Risk Neutralisation may happen prior to, concurrently with and/or subsequently to the splitting of a Portfolio pursuant to Rule ~~2.1~~2.1 above.

#### 2.3 ~~Auction~~

~~2.3.4(a)~~ Following the completion of Risk Neutralisation, the Clearing House shall calculate the AIP for each Auction Portfolio under Rule ~~2.4~~2.4 and ~~then~~ shall auction each Auction Portfolio to Non-Defaulting FXCCMs in order to

seek to re-establish the positions it had with the Defaulting FXCCM under the ForexClear Contracts in each Auction Portfolio with Non-Defaulting FXCCMs and to seek to determine the net value of those ForexClear Contracts for the purposes of determining the extent of any losses to the Clearing House which are to be reduced or borne in the manner provided by Rule ~~4615~~ (Reduction of Losses on Default) of the Default ~~Fund~~ Rules or, as the case may be, the extent of any gains to the Clearing House which the Clearing House must pay to the Defaulting FXCCM. The Clearing House, in consultation with the ForexClear DMG, shall prescribe such procedures (in addition to those set out herein) for the conduct of the auction process as it considers reasonably appropriate from time to time.

~~2.3.2~~(b) The Clearing House shall notify each FXCCM of all details that may be reasonably required in relation to an Auction Portfolio prior to the relevant Auction.

~~2.3.3~~(c) The auction process may take place over a number of days and Auctions of different Auction Portfolios may take place at different times.

~~2.3.4~~(d) FXCCMs will submit bids to the Clearing House representatives on the ForexClear DMG, who will ensure that the identities of the bidders are not revealed to the FXCCM representatives on the ForexClear DMG. For the avoidance of doubt, an FXCCM shall be entitled to submit a bid on behalf of one or more affiliated FXCCMs. The ForexClear DMG will oversee the bidding process in a manner which it considers best protects the resources of the Clearing House and ensures an orderly process.

~~2.3.5~~(e) The Clearing House in consultation with the ForexClear DMG will have full discretion in deciding whether or not to accept a particular bid in an Auction and, in so deciding, will take into account the relevant factors that determine risk premiums, as well as the range of bids received relative to the amount of Collateral held in respect of initial margin and, subject to their availability, the Clearing House resources as set out in Rule ~~4615~~ of the Clearing House's Default ~~Fund~~ Rules. In the event that more than one FXCCM submits a bid of the same value (each an "~~Equal Bid~~"), the Clearing House will, subject to its discretion to reject all such Equal Bids, select the bid which was received first in time.

~~2.3.6~~(f) In the case of an Auction in which no bid is accepted or received (as the case may be), one or more further Auctions will be held in relation to the relevant Auction Portfolio. As soon as practicable following an Auction:

(a)(i) in the event that a bid was accepted, the Clearing House will notify those Currency Pair Participants in the relevant Auction Currency Pair together with any other FXCCMs who participated in the Auction that a bid was accepted and shall notify the FXCCM who submitted the accepted bid that its bid was accepted; or

(b)(ii) in the event that no bid was accepted, the Clearing House will notify all FXCCMs of the details of any further Auction.

2.3.7(g) The FXCCM agrees to use all reasonable efforts to make a bid in an Auction for an Auction Portfolio in respect of which such FXCCM is a Currency Pair Participant.

## 2.4 *Auction Incentive Pools*

2.4.1(a) Before commencing the auction process, the Clearing House will calculate an auction incentive pool (each an "AIP") for each individual Auction Portfolio for the purposes of providing an initial allocation of the resources potentially available to it to satisfy any loss incurred in the Auction of each such Auction Portfolio. Notwithstanding such initial allocation, any resources utilised by the Clearing House will be allocated in accordance with Rule 2.52.5 below.

2.4.2(b) For each AIP, the resources shall be allocated as follows:

~~(a)~~(i) the resources of the Defaulting FXCCM (in the form of: (i) that part of the Margin Cover for the ForexClear Contracts of the Defaulting FXCCM pursuant to Rule ~~16(a)~~15 of the Default ~~Fund~~ Rules and (ii) the ForexClear Contribution made by the Defaulting FXCCM to the ForexClear Default Fund) available pursuant to Rule ~~16(b)~~15 of the Default ~~Fund~~ Rules at the time of the auction process will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios;

~~(b)~~(ii) the portion of the Capped Amount applied to the ForexClear Business of the Defaulting FXCCM pursuant to Rule ~~16(e)~~15 of the Default ~~Fund~~ Rules will be allocated to the AIPs based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; and

~~(c)~~(iii) the Non-~~d~~Defaulters<sup>2</sup> Contribution of each FXCCM and the total value of the ForexClear Unfunded Contributions which would be callable but have not been called by the Clearing House from the relevant FXCCM in respect of the relevant Default in accordance with Rule F8 of the Default ~~Fund~~ Rules (the "Potential Unfunded Contributions") will, subject to Rule ~~2.4.3~~2.4(c) below, be allocated between the AIPs relating to the Auction Portfolios in which the relevant FXCCM is a Currency Pair Participant based on the proportion that: (a) the risk of the ForexClear Contracts of such FXCCM denominated in the Currency Pair bears to (b) the aggregate of the amounts calculated in (a) in respect of each Currency Pair in which the relevant FXCCM is a Currency Pair Participant.

2.4.3(c) Where a Portfolio for a particular Currency Pair has been split into two or more Auction Portfolios, the Non-~~d~~Defaulters<sup>2</sup> Contributions and Potential Unfunded Contributions allocated to the AIP related to the relevant Portfolio will be further divided for the purposes of allocation into AIPs relating to the relevant Auction Portfolios based on the proportion that (a) the risk of the ForexClear Contracts in each such Auction Portfolio bears to (b) the aggregate



of the amounts calculated in (a) for each of the Auction Portfolios in the relevant Currency Pair.

## 2.5 **Loss Attribution**

2.5.1(a) Following the completion of all Auctions of all Auction Portfolios of the Defaulting FXCCM, the Clearing House will determine whether losses incurred by it as a result of such Auctions are such that the Non-~~d~~Defaulters<sup>2</sup> Contributions must be utilised. Where applicable, such losses will be allocated to Non-~~d~~Defaulters<sup>2</sup> Contributions in accordance with the loss attribution process described in Rules ~~2.5.2~~2.5(b) to ~~2.5.8~~2.5(h) below.

2.5.2(b) For each Auction Portfolio, losses to the Clearing House will be met using the resources as set out in Rule ~~16~~15 of the Default ~~Fund~~ Rules. In applying those resources, the Clearing House will allocate the losses in respect of each Auction Portfolio (the **"Auction Losses"**) by reference to the resources allocated to the AIPs related to such Auction Portfolios in accordance with Rule ~~2.4.~~2.4. Where there are no Auction Losses in respect of an Auction Portfolio or the Auction Losses in respect of an Auction Portfolio do not require the full amount of the resources referred to in sub-paragraphs ~~(a)(i)~~ and ~~(b)(ii)~~ of Rule ~~2.4.2~~2.4(b) allocated to the AIP related to the relevant Auction Portfolio (the **"Initial Resources"**) to be fully utilised, the relevant surplus Initial Resources will be allocated *pro rata* between those AIPs relating to Auction Portfolios in respect of which there are Auction Losses requiring the utilisation of resources beyond the Initial Resources available in the relevant AIP in accordance with ~~Rule 16(a), 16(b)~~Rules 15(a), 15(b) and 16(e)15(c) of the Default ~~Fund~~ Rules until such time as all Initial Resources have been fully utilised.

2.5.3(c) In the case of each Auction for which there are Auction Losses in respect of which the Non-~~d~~Defaulters<sup>2</sup> Contributions must be utilised, those Non-~~d~~Defaulters<sup>2</sup> Contributions, not including, for these purposes, any part of such Non-~~d~~Defaulters<sup>2</sup> Contributions that reflect any ForexClear Unfunded Contribution deposited with the Clearing House pursuant to the Default in respect of which the relevant Auction was held (the **"Original Contributions"**) and which have been allocated to the AIP relating to the relevant Auction Portfolio (the **"Relevant Original Contributions"**) will be used first in the following order:

(a)(i) ~~The~~the Auction Losses will be attributed to the Relevant Original Contributions of those FXCCMs who are Currency Pair Participants in the Auction Currency Pair and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Original Contribution of an individual FXCCM pursuant to this sub-paragraph ~~(i)~~(i) based upon the proportion that: (a) the value of the Relevant Original Contribution of such FXCCM bears to (b) the total value of the Relevant Original Contributions of all FXCCMs who are Currency Pair Participants in the Auction Currency Pair and who did not bid in the relevant Auction;

~~(b)~~(ii) ~~If~~ and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(i)~~(ii) above, those Auction Losses will be attributed to the Relevant Original Contributions of the Short Bidders. For the purposes of this sub-paragraph ~~(ii)~~(ii) and sub-paragraph ~~(ii)~~(ii) of Rule ~~2.5-6~~2.5(f), the term ~~"Short Bidder"~~ means any FXCCM who is a Currency Pair Participant in the Auction Currency Pair and who submitted an unsuccessful bid in the relevant Auction save for any FXCCM who submitted a higher bid in an Auction than the bid accepted by the Clearing House in accordance with Rule ~~2.3.4~~2.3(d) (each such FXCCM, a ~~"Higher Bidder"~~ and each such bid, a ~~"Higher Bid"~~).

Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)~~(ii) based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid in USD bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid in USD;

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)~~(ii) is greater than the value of the Relevant Original Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Original Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph ~~(ii)~~(ii) (each a ~~"Remaining Original Short Bidder"~~) by (a) calculating the amount which is the bid of the relevant Remaining Original Short Bidder divided by the sum of the bids of all Remaining Original Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses;

The Clearing House will repeat the loss attribution process described in this sub-paragraph ~~(ii)~~(ii) until the first to occur of (a) the Auction Losses being fully met; and (b) the Relevant Original Contributions of all Short Bidders being fully attributed; and

~~(c)~~(iii) ~~If~~ and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(ii)~~(ii) above, those Auction Losses will be attributed to the Relevant Original Contribution of the FXCCM who submitted the winning bid, together with, where applicable, the Relevant Original Contribution of any FXCCM who submitted a bid which is an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Original Contribution of an individual FXCCM pursuant to this sub-paragraph ~~(iii)~~(iii) based upon the proportion that: (a) the value of the Relevant Original Contribution of such FXCCM bears to (b) the total value of the Relevant Original Contributions of (i) the FXCCM who submitted the winning bid; (ii) any FXCCMs who submitted an Equal Bid to such winning bid; and (iii) any FXCCMs who were Higher Bidders in the relevant Auction.



If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph ~~(iii)~~(iii) above, and there are AIPs relating to other Auction Portfolios in the same Auction Currency Pair in which the Relevant Original Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auction Losses amongst such Remaining Original Contributions through the attribution process set out in sub-paragraphs ~~(i) to (iii)~~(i) to (iii) above.

2.5.4(d) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule ~~2.5.3~~2.5(c) above, those Auction Losses will be attributed to the Original Contributions of those FXCCMs who are Currency Pair Participants in any other Auction Currency Pair in relation to which Auction Losses have arisen to the extent that Non-Defaulters' Contributions must be utilised (each a "Losing Currency Pair") and whose Original Contributions have not yet been fully utilised (each a "Losing Currency Pair Original FXCCM"). Such remaining Auction Losses will be attributed to any remaining Original Contribution of each such FXCCM pursuant to this Rule ~~2.5.4~~2.5(d) based upon the proportion that: (a) the risk of all of the ForexClear Contracts of such FXCCM denominated in any of the Losing Currency Pairs bears to (b) the aggregate risk of the amounts calculated in (a) for all Losing Currency Pair Original FXCCMs. The Clearing House will repeat the loss attribution process described in this Rule ~~2.5.4~~2.5(d) until the first to occur of (a) the Auction Losses being fully met; and (b) the Original Contributions of all Losing Currency Pair Original FXCCMs being fully attributed.

2.5.5(e) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule ~~2.5.4~~2.5(d) above, those remaining Auction Losses will be allocated to the Original Contributions of each FXCCM who is not a Currency Pair Participant in any of the Losing Currency Pairs based upon the proportion that (a) the value of each such Original Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such FXCCMs.

2.5.6(f) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule ~~2.5.5~~2.5(e) above, the ForexClear Unfunded Contributions which have been allocated to the AIP relating to the relevant Auction Portfolio (the "Relevant Unfunded Contributions") will be used first in the following order:

(a)(i) ~~The~~the Auction Losses will be attributed to the Relevant Unfunded Contributions of those FXCCMs who are Currency Pair Participants in the Auction Currency Pair and who did not bid in the relevant Auction. Auction Losses will be attributed to the Relevant Unfunded Contributions of an individual FXCCM pursuant to this sub-paragraph ~~(i)~~(i) based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such FXCCM bears to (b) the total value of the Relevant Unfunded Contributions of all FXCCMs who are Currency Pair Participants in the Auction Currency Pair and who did not bid in the relevant Auction;

~~(b)~~(ii) ~~If~~ and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(i)~~(i) above, those Auction Losses will be attributed to the Relevant Unfunded Contributions of the Short Bidders in the relevant Auction. Auction Losses will be attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)~~(ii) based upon the proportion that (a) the variance of the bid of such Short Bidder from the winning bid in USD bears to (b) the sum of the variances of the bids of all Short Bidders from the winning bid in USD;

Where the value of the Auction Losses attributed to an individual Short Bidder pursuant to this sub-paragraph ~~(ii)~~(ii) is greater than the value of the Relevant Unfunded Contribution of such Short Bidder, the relevant excess Auction Losses will be attributed to each Short Bidder whose Relevant Unfunded Contribution exceeds the value of the Auction Losses which have been attributed to it pursuant to this sub-paragraph ~~(ii)~~(ii) (each a "**Remaining Unfunded Short Bidder**") by (a) calculating the amount which is the bid of the relevant Remaining Unfunded Short Bidder divided by the sum of the bids of all Remaining Unfunded Short Bidders; and (b) multiplying such amount by the value of the relevant excess Auction Losses;

The Clearing House will repeat the loss attribution process described in this sub-paragraph ~~(ii)~~(ii) until the first to occur of (a) the Auction Losses being fully met; and (b) the Relevant Unfunded Contributions of all Short Bidders being fully attributed; and

~~(c)~~(iii) ~~If~~ and to the extent that there are Auction Losses outstanding after the attribution process referred to in sub-paragraph ~~(ii)~~(ii) above, those Auction Losses will be attributed to the Relevant Unfunded Contribution of the FXCCM who submitted the winning bid, together with, where applicable, the Relevant Unfunded Contribution of any FXCCM who submitted a bid which is an Equal Bid or a Higher Bid in relation to that winning bid. The outstanding Auction Losses will be attributed to the Relevant Unfunded Contribution of an individual FXCCM pursuant to this sub-paragraph ~~(iii)~~(iii) based upon the proportion that: (a) the value of the Relevant Unfunded Contribution of such FXCCM bears to (b) the total value of the Relevant Unfunded Contributions of (i) the FXCCM who submitted the winning bid; (ii) any FXCCMs who submitted an Equal Bid to such winning bid; and (iii) any FXCCMs who were Higher Bidders, in the relevant Auction.

If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referenced to in sub-paragraph ~~(iii)~~(iii) above, and there are AIPs relating to other Auction Portfolios in the same Auction Currency Pair in which the Relevant Unfunded Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auction Losses amongst such Remaining Unfunded Contributions through the attribution process set out in sub-paragraphs ~~(i) to (iii)~~(i) to (iii) above.

2.5.7(g) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.62.5(f) above, those Auction Losses will be attributed to the ForexClear Unfunded Contributions of those FXCCMs who are Currency Pair Participants in any other Losing Currency Pair and whose ForexClear Unfunded Contributions have not yet been fully utilised (each a "Losing Currency Pair Unfunded FXCCM"). Such remaining Auction Losses will be attributed to any remaining ForexClear Unfunded Contributions of each such FXCCM pursuant to this Rule 2.5.72.5(g) based upon the proportion that: (a) the risk of all of the ForexClear Contracts of such FXCCM denominated in any of the Losing Currency Pairs bears to (b) the aggregate risk of the amounts calculated in (a) for all Losing Currency Pair Unfunded FXCCMs. The Clearing House will repeat the loss attribution process described in this Rule 2.5.72.5(g) until the first to occur of (a) the Auction Losses being fully met; and (b) the ForexClear Unfunded Contributions of all Losing Currency Pair Unfunded FXCCMs being fully attributed.

2.5.8(h) If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule 2.5.72.5(g) above, those remaining Auction Losses will be allocated to the ForexClear Unfunded Contributions of each FXCCM who is not a Currency Pair Participant in any of the Losing Currency Pairs based upon the proportion that (a) the value of each such ForexClear Unfunded Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such FXCCMs.

2.6 For the purposes of Rules 2.42.4 and 2.52.5 above, all references to the risk associated with a ForexClear Contract shall be references to such risk as determined by the Clearing House in its sole discretion for the purpose of calculating initial margin ~~in~~ requirements in accordance with the Procedures.

### ~~3. DEFAULT MANAGEMENT IN RESPECT OF FCM FOREXCLEAR CLIENT BUSINESS~~

#### 3. Default Management in respect of FCM ForexClear Client Business and ForexClear Clearing Client Business

3.1 The ForexClear DMP in respect of any eContract which is an FCM ForexClear Contract in respect of FCM ForexClear Client Business shall be conducted in accordance with FCM Regulation ~~8(f)~~13(e) (Transfer). The provisions of Rule 9 of the Default Rule 9A Rules shall also apply.

### ~~4. TRANSFER OF CASH FLOWS / REGISTRATION OF POSITIONS~~

3.2 The ForexClear DMP in respect of any Contract which is a ForexClear Contract in respect of ForexClear Clearing Client Business shall be conducted in accordance with the Client Clearing Annex (which such stages, for the avoidance of doubt, will result in a ForexClear Contract in respect of ForexClear Clearing Client Business being dealt with in accordance with Rule 2 above in the event that it cannot be ported by the Clearing House).

#### 4. [Transfer of Cash Flows / Registration of Positions](#)

4.1 Following the disposal of an Auction Portfolio by way of Auction (and notwithstanding that other Auction Portfolios of the Defaulting FXCCM may not yet have been auctioned) the Clearing House, will, with the co-operation of the FXCCMs, transfer to the FXCCM whose bid won that Auction Portfolio the rights and obligations, from the Defaulting FXCCM, arising out of the positions which that FXCCM has successfully bid for under the ForexClear Default Management Process. Such transfer may take place by way of registration of new positions with the Clearing House in the name of the relevant FXCCM, or novation of rights and obligations to the relevant FXCCM. All such registrations shall be made in a way that recognises [the amounts of](#) Collateral transferred to or [by/from](#) the Clearing House in respect of ~~the~~ variation margin in relation to the ForexClear Contracts of the Defaulting FXCCM representing such new positions.

4.2 In order to effect the transfer of positions, the Clearing House shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. FXCCMs will be required to exercise best endeavours to comply with such requirements as may be established by the Clearing House, after consultation with the ForexClear DMG, to effect the transfer of positions, including but not limited to the payment of any sums due as a result of the winning bid and the [transfer provision](#) of Collateral ~~in~~ an amount required by the Clearing House ~~for~~ [in respect of their](#) initial margin and variation margin obligations in respect of positions which are to be registered in their names. The Clearing House agrees that in such procedures it shall make provision for set-off by the Clearing House of amounts owed by the Clearing House to the FXCCM as a result of the operation of the ForexClear DMP against sums owed by the FXCCM to the Clearing House in respect thereof.

4.3 Where, as a result of an Auction, the Clearing House is required to make a payment to an FXCCM in respect of a winning bid, the Clearing House shall not be permitted to register any position, whether as a new position or as a novation of existing rights and obligations, to any such FXCCM if the Clearing House does not simultaneously credit that FXCCM with the requisite amount. If any position is so registered without such payment, such registration shall be deemed void *ab initio* and unenforceable against the relevant FXCCM. For the avoidance of doubt, the Clearing House will utilise the resources available to it pursuant to Rule ~~16~~[15](#) of the Default ~~Fund~~ Rules for the purposes of making such a payment notwithstanding that other Auction Portfolios of the Defaulting FXCCM may not yet have been auctioned and that the loss attribution process provided for by Rule ~~2.52.5~~[2.52.5](#) has not yet occurred.

### ~~5. INFORMATION REGARDING DEFAULT MANAGEMENT PROCESS~~

#### 5. [Information regarding Default Management Process](#)

5.1 Whenever the ForexClear DMP is implemented by the Clearing House in respect of a Defaulting FXCCM, the Clearing House will, with the assistance of the ForexClear DMG, provide such ongoing information to FXCCMs as the Clearing House deems reasonably appropriate in respect of the progress of the ForexClear DMP.

5.2 Nothing in this Rule ~~55~~[55](#) shall require the Clearing House to disclose information in respect of the ForexClear DMP which, in the reasonable opinion of the Clearing

House, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the Clearing House's reasonable opinion, inappropriate for disclosure to FXCCMs.

## ~~6. BANKRUPTCY CODE AND RELATED ISSUES~~

### 6. Bankruptcy Code and Related Issues

Notwithstanding any other provision of this Annex in the event of a Default by an FXCCM, the completion of any and all actions, including but not limited to any transfers or transactions, permitted or required to be taken by the Clearing House hereunder shall be subject in all respects to the provisions of the Bankruptcy Code, Part 190 and Part 22 of the CFTC Regulations, the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, and the receipt of any approvals required under the Bankruptcy Code or such regulations.

### 7. CEA ISSUES

Notwithstanding any other provision of this Annex, in the event of a Default by an FXCCM, the operation of this Annex shall in all respects be subject to applicable provisions of the CEA and CFTC Regulations (including Part 22 thereof) regarding the handling, custody, liquidation, transfer and disposition of client positions and assets, including but not limited to those provisions requiring segregation of client assets and prohibiting application of the assets of non-defaulting clients to amounts owed by defaulting clients.

## ~~8. MISCELLANEOUS~~

### 8. Miscellaneous

8.1 Subject to Rules 2.42.4 and 2.52.5 of this Annex, the resources available to the Clearing House and their order of use are defined in Rule ~~4615~~ of the Default Fund Rules as modified and/or supplemented by the ForexClear Default Fund Supplement.

8.2 The Clearing House may from time to time supplement the details of any of the stages set out in Rule 22 of this Annex or any other aspects of the ForexClear DMP, in consultation with the ForexClear DMG, either by way of further Guidance or immediately on notice to FXCCMs on a case-by-case basis where the Clearing House deems it appropriate to do so in the circumstances of the Default, **provided that** the Clearing House may not take any such action that effects a material change to the terms of this Annex without the written consent of ~~50%~~ per cent. of all ForexClear Clearing Members unless such change is invoked unilaterally against all FXCCMs and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization. The Clearing House agrees that, in the ordinary course, it shall discuss any such Guidance with the ForexClear DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (i) the Guidance is not material to the rights and obligations of the FXCCMs or (ii) the Clearing House deems it inappropriate to do so in the circumstances of the Default and it is not possible to convene the ForexClear DMG in timely fashion.

8.3 The timetable for implementation of the stages of the ForexClear Default Management Process following issue of a Default Notice by the Clearing House shall be either (1) as prescribed by the Clearing House from time to time in consultation with the ForexClear DMG and set out in Guidance; or (2) imposed by the Clearing House without prior notice to the FXCCMs on a case-by-case basis where the Clearing House, in consultation with the ForexClear DMG, deems it appropriate to do so in the circumstances of the Default.

## ~~9. ROLE AND CONSTITUTION OF FOREXCLEAR DMG~~

### 9. Role and constitution of ForexClear DMG

9.1 The ForexClear DMG shall meet at regular intervals in order to:

9.1.1(a) keep under review the ForexClear DMP, together with any Guidance issued in respect thereof;

9.1.2(b) keep under review the terms of reference of the ForexClear DMG to ensure they remain appropriate;

9.1.3(c) consider appropriate supplements or amendments to the ForexClear DMP and/or Guidance in order to improve the procedures in place; and

9.1.4(d) consider any other business relevant to the ForexClear DMP which any member of the ForexClear DMG from time to time sees fit to raise at such meetings.

9.2 The members of the ForexClear DMG shall also meet within one hour, or as soon as reasonably practical, following notification by the Clearing House that a Default Notice has been served upon an FXCCM, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist the Clearing House in the implementation of the ForexClear DMP as contemplated under this Agreement. Such implementation shall include, without limitation, the provision of general default management advice with regard to: (1) the ongoing obligations of the Clearing House to its non-defaulting members; (2) the neutralisation and closing-out of the individual obligations of the Defaulting FXCCM; and (3) the splitting of Portfolios and the disposal of Auction Portfolios in accordance with the ForexClear DMP. Where it is not possible or practicable for the FXCCM to provide its nominated representative within an appropriate timeframe, it shall provide an alternate of suitable experience and expertise to participate on the ForexClear DMG.

9.3 The ForexClear DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by the Clearing House which shall ensure that the composition is such as to provide effective review of the ForexClear DMP and suitable expertise and representation of market-making capacity in the event of a Default:

9.3.1(a) in the event of the issuance of a Default Notice, the chief executive or deputy chief executive of the Clearing House, who shall act as chairman;

9.3.2(b) at least six representatives of at least four FXCCMs, being senior executives with appropriate skills and expertise;



9.3.3(c) at least one director (staff member of director grade) of the Clearing House's Risk Management department; and

9.3.4(d) such other individuals as the ForexClear DMG considers appropriate from time to time in relation to individual meetings.

9.4 For the purpose of ForexClear DMG meetings convened to deal with a specific Defaulting FXCCM, the Clearing House may, after consultation with the ForexClear DMG, invite the Defaulting FXCCM to nominate one or more representatives to join the ForexClear DMG to assist it in carrying out its functions in the ForexClear Default Management Process for that Defaulting FXCCM, and also request representatives from any other FXCCMs. In the event of receiving such request, the FXCCM shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the FXCCM were a member of the ForexClear DMG.

9.5 In establishing the ForexClear DMG, the Clearing House agrees that in the normal course of events (not including the Clearing House's declaration of a Default and the invocation of the processes as outlined in Rules 2, 3, 2.3 and 44 of this Annex) it will, as far as practicable, and in accordance with the terms of reference of the ForexClear DMG, rotate the membership of the ForexClear DMG on a regular basis and amongst all FXCCMs. The FXCCM agrees that, when requested to do so by the Clearing House, it will make available a representative to participate in the ForexClear DMG. The Clearing House shall agree with the FXCCM the identity of such representative and shall be able to request a substitute where it believes the FXCCM's nominated representative does not have the requisite skills or expertise.

9.6 Each FXCCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representative agrees:

9.6.1(a) to ensure that such representative will be fully available, at any time and for such periods of time as the Clearing House may require during the course of a Default, to perform ~~his~~their function as a member of the ForexClear DMG including attending meetings, considering and advising the Clearing House upon aspects of the ForexClear DMP. The FXCCM shall ensure that a representative's other work commitments do not affect ~~his~~their availability for this purpose;

9.6.2(b) to take all steps to respect the confidential capacity in which such a representative receives information through the ForexClear DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the ForexClear DMP of any such confidential information by the FXCCM or its representative. Such procedures shall normally include, without limitation, the establishment of Chinese walls within the FXCCM; and

9.6.3(c) to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with the requirements contained in the Procedures or the FCM Procedures (as the case may be).

9.7 Each FXCCM shall accept that:

9.7.1(a) representatives of FXCCMs serving on the ForexClear DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the ForexClear Service in the interests of Non-Defaulting FXCCMs; and

9.7.2(b) representatives of FXCCMs serving on the ForexClear DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the ForexClear Default Management Process, **provided, however, that** nothing in this Rule ~~9.7.2~~9.7(b) shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers.

9.8 The Clearing House agrees that, in exercising its rights and obligations in consulting with the ForexClear DMG pursuant to this Agreement, it will use all reasonable commercial endeavours to agree a common position with the ForexClear DMG, **provided that** nothing in this Rule shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.



**SCHEDULE 4 REPOCLEAR**  
**REPOCLEAR DMP ANNEX ANNEX**

**4. SCOPE AND INTERPRETATION**

**1. Scope and Interpretation**

1.1 The Clearing House has established a RepoClear DMP which will apply to Fixed Income Contracts following the issuing of a Default Notice relating to a RCM and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the RepoClear DMP are elaborated to the fullest extent possible in this Annex. Where exhaustive detail cannot be laid out in the provisions of this Annex, the RepoClear DMP will be undertaken on the basis of the principles contained herein.

1.2 The Clearing House has an obligation to ensure the on-going integrity of the RepoClear service and the Fixed Income Contracts in the interests of the Non-Defaulting RCMs. When a RCM defaults, Non-Defaulting RCMs are required to supply impartial expertise through the Fixed Income DMG and may be invited to bid for the Auction Portfolios of a Defaulting RCM, as laid out in this Annex. In addition, most RCMs or their parent companies or subsidiaries or fellow subsidiaries, have direct interests in that integrity, notably as contributors to the various default funds of the Clearing House. Each RCM shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations as a RCM arising out of this RepoClear DMP Annex.

1.3 In this Annex:

"**Auction**" means the process of bidding by RCMs for an Auction Portfolio prescribed by the Clearing House following consultation with the Fixed Income DMG from time to time in accordance with Rule ~~2.3~~2.3 of this Annex;

"**Auction Currency**" means in relation to an Auction, the currency of an Auction Portfolio which is the subject of that Auction as determined in accordance with Rule 2.3-~~2~~(b) of this Annex;

"**Auction Losses**" has the meaning given in Rule 2.5-~~2~~(b) of this Annex;

"**Auction Portfolio**" means (i) a Portfolio; or (ii) a group of Fixed Income Contracts resulting from the splitting of a Portfolio pursuant Rule 2.1 of this Annex including any connected hedging trades concluded by the Clearing House through Risk Mitigation;

"**Derivatives Clearing Organization**" means an organisation designated and registered as such by way of United States Code Title 7, Chapter 1, paragraph 7a-1;

"**Equal Bid**" has the meaning given in Rule 2.3-~~6~~(f) of this Annex;

"**Fixed Income DMG**" means the advisory Default Management Group established by the Clearing House pursuant to the terms of this Annex;

"**Guidance**" means guidance, in the form of one or more written notices, issued from time to time pursuant to Rule 1.2 of this Annex by or on behalf of the Clearing House to RCMs, supplementing the detail or conduct of any aspect of the RepoClear DMP;

"**Initial Resources**" has the meaning given [to it](#) in Rule 2.5.2(b) of this Annex;

"**Margin Cover**" has the meaning given [to it](#) in Rule ~~16(a)~~15(a) of the Default Fund Rules;

"**Market Participant**" means, in respect of a specific RepoClear market, a Non-Defaulting RCM who at the time the Clearing House declares a Default has been authorised by the Clearing House in respect of that RepoClear market;

"**Non-Defaulters' Contributions**" means the RepoClear Contributions made by Non-Defaulting RCMs to the RepoClear Default Fund;

"**Original Contributions**" has the meaning given [to it](#) in Rule ~~2.5.3~~2.3(c) of this Annex;

"**Portfolios**" means, in respect of each RepoClear market, the Fixed Income Contracts in such market registered in the name of a Defaulting RCM, ~~and, where relevant, includes any connected hedging trades concluded by the Clearing House through Risk Mitigation~~ [in respect of House Clearing Business and the Fixed Income Contracts in such market registered in the name of a Defaulting RCM in respect of Client Clearing Business and, in both such cases includes, where relevant, any hedging trades connected to the relevant Fixed Income Contracts concluded by the Clearing House through Risk Mitigation. For the avoidance of doubt, a Portfolio containing Fixed Income Contracts relating to the Client Clearing Business of a Defaulting RCM will only contain RepoClear Contracts relating to Client Clearing Business. The Clearing House shall not be entitled to combine client and house positions in a single Portfolio;](#)

["Recognised Clearing House" mean an organisation which is declared to be a recognised clearing house by a recognition order \(that is for the time being in force\) made under section 290\(1\)\(b\) of the Financial Services and Markets Act 2000;](#)

~~"Recognised Clearing House" mean an organisation which is declared to be a recognised clearing house by a recognition order (that is for the time being in force) made under section 290(1)(b) of the Financial Services and Markets Act 2000;~~

"**Risk Mitigation**" means the process of reducing the market risk associated with a Defaulting RCM's obligations to the Clearing House under Fixed Income Contracts by hedging the exposure prior to the auction process as described in Rule ~~2.22.2~~ of this Annex;

"**RepoClear Default Management Process Completion Date**" means the date when the RepoClear Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the Fixed Income DMG and notified to all RCMs; [and](#)

"RepoClear DMP or RepoClear Default Management Process" means the processes of the Clearing House outlined in this Annex, as the same may be supplemented and/or amended from time to time in accordance with this Annex; ~~and~~.

- 1.4 Terms used in this Annex which are not defined herein shall have the meanings given to them in the Regulations.

## ~~2. REPOCLEAR CLEARING HOUSE BUSINESS~~

### 2. RepoClear Clearing House Business

The RepoClear Default Management Process in respect of RepoClear Clearing House Business shall involve the stages described in this Rule ~~2.2~~.

#### 2.1 *Portfolio Combination and Splitting*

The Clearing House, in consultation with and the assistance of the Fixed Income DMG, shall determine the composition of each Auction Portfolio and shall have the discretion to divide a Portfolio into two or more individual Auction Portfolios or to combine two or more Portfolios into a single Auction Portfolio with the aim of facilitating the efficiency of, and reducing the risk associated with, the auction process provided for in Rule 2.3 of this Annex. The overriding principle is that the Clearing House will structure Auction Portfolios with the intention of ensuring a RepoClear DMP which best protects the resources of the Clearing House. Therefore, nothing in this Rule 2.1 shall be deemed to imply that the Clearing House is under any obligation to split a particular Portfolio of a Defaulting RCM (regardless of the number of Fixed Income Contracts that such Portfolio contains).

#### 2.2 *Risk Mitigation*

The Clearing House may, in consultation with and with the assistance of the Fixed Income DMG, reduce the market risk associated with a Defaulting RCM's obligations to the Clearing House by hedging the Clearing House's exposure in open Fixed Income Contracts to which the Defaulting RCM is party. In determining whether or not to engage in any hedging activities, the Clearing House shall take into account the associated costs of such hedging and the possibility that such hedging could result in the Clearing House's resources being put at risk. All such hedging shall be undertaken by the Clearing House with RCMs, on the basis of separate agreements between the Clearing House and each such RCM. For the avoidance of doubt, Risk Mitigation may happen prior to, concurrently with and/or subsequently to the splitting of a Portfolio pursuant to Rule 2.1 above. Any costs incurred from Risk Mitigation shall be considered costs of the relevant Auction and may therefore give rise to Auction Losses.

#### 2.3 *Auction*

~~2.3.1~~ (a) The Clearing House shall, in its discretion, but after consultation with the Fixed Income DMG, identify up to 15 Non-Defaulting RCMs who will be invited to bid in each Auction (the "**Invited Bidders**") and shall invite such Invited Bidders to submit bids for such Auction Portfolio.

2.3.2(b) The Clearing House, in consultation with the Fixed Income DMG, shall prescribe such procedures (in addition to those set out herein) for the conduct of the auction process, including selection of Invited Bidders, as it considers reasonably appropriate from time to time. The Clearing House and the Fixed Income DMG shall determine the Auction Currency in respect of the relevant Auction.

2.3.3(c) The Clearing House shall notify each Invited Bidder of all details that may be reasonably required in relation to an Auction Portfolio prior to the relevant Auction.

2.3.4(d) The auction process may take place over a number of days and Auctions of different Auction Portfolios may take place at different times.

2.3.5(e) Invited Bidders who decide to participate in an Auction will submit bids to the Clearing House representatives on the Fixed Income DMG, who will ensure that the identities of the bidders are not revealed to the RCM representatives on the Fixed Income DMG. Bids may be submitted for the entire Auction Portfolio or for a percentage of the Auction Portfolio. Bids shall be submitted as a price at which the relevant Invited Bidder is willing to take on a specified percentage of the Auction Portfolio, and all bids will be ranked in accordance with the price per percentage represented by that bid. The Fixed Income DMG will oversee the bidding process in a manner which it considers best protects the resources of the Clearing House and ensures an orderly process. The Clearing House shall be entitled to round up or round down nominal amounts received by successful Invited Bidders in order to ensure that successful bids comply with the Clearing House's requirements on minimum transaction sizes and this may impact the price paid by successful Invited Bidders.

2.3.6(f) The Clearing House in consultation with the Fixed Income DMG will have full discretion in deciding whether or not to accept one or more bids in an Auction for part or all of the Auction Portfolio and, in so deciding, will take into account the range of bids received relative to the amount of Collateral ~~transferred to the Clearing House~~ held in respect of initial margin, variation margin and additional margin and the Default Fund Contribution of the Defaulting RCM and, subject to their availability, the Clearing House resources as set out in Rule ~~4615~~ of the ~~Clearing House's~~ Default ~~Fund~~ Rules. If the Clearing House does accept one or more bids, the price paid by the relevant winning bidders will be the same. Therefore, if the Clearing House decides to accept more than one bid, the price payable by all such winning bidders will be the price of the lowest bid which is accepted by the Clearing House. In the event that more than one Invited Bidder submits a bid of the same value (each an "Equal Bid"), the Clearing House may, subject to its discretion to reject one or more such Equal Bids, split the relevant Auction Portfolio between the relevant Invited Bidders who submitted Equal Bids on an individual trade-by-trade basis. The Clearing House, in consultation with the Fixed Income DMG, may choose to accept a bid in respect of a smaller proportion of an Auction Portfolio than that which an Invited Bidder specified in its bid.

2.3.7(g) In the case of an Auction in which no bid is accepted or received (as the case may be), or in which the bids accepted by the Clearing House are for less than the whole Auction Portfolio, subject to ~~Rule 2.3.9, paragraph (i) below~~, one or more further Auctions may, at the discretion of the Clearing House, be held in relation to the relevant Auction Portfolio or that part of the Auction Portfolio which remains.

As soon as practicable following an Auction:

~~(a)~~(i) in the event that one or more bids were accepted, the Clearing House will notify all the Invited Bidders who participated in the Auction that one or more bids were accepted and shall notify the Invited Bidders who submitted the accepted bids that their bids were accepted; and

~~(b)~~(ii) in the event that no bid was accepted, or the accepted bids were for less than the whole Auction Portfolio, the Clearing House will notify such RCMs as determined by the Clearing House in consultation with the Fixed Income DMG of the details of any further Auction.

2.3.8(h) All Invited Bidders agree to use all reasonable efforts to make a bid in an Auction for an Auction Portfolio in respect of which such RCM is a Market Participant.

2.3.9(i) The Clearing House may directly sell assets or Auction Portfolios outside of Auctions if an Auction fails or, in the opinion of the Clearing House in consultation with the Fixed Income DMG, is likely to fail or if the Clearing House determines (in consultation with the Fixed Income DMG) that it will not be possible to complete any relevant Auction in a timely and efficient manner and without putting the resources available to the Clearing House pursuant to ~~paragraphs (c) to (h) of Rule 4615~~ at risk.

## 2.4 *Auction Resources and Reserve Price*

2.4.1(a) Before commencing the auction process, the Clearing House will calculate a base price ("**Base Price**") for each individual Auction Portfolio based on an initial allocation of the resources potentially available to it from the Defaulting RCM to satisfy any loss incurred in the Auction of each such Auction Portfolio pursuant to paragraphs (a) to (c) of Rule ~~4615~~ and, consequently, taking into account market prices, a reserve price ("**Reserve Price**") for such Auction. Notwithstanding such initial allocation, any resources utilised by the Clearing House will be allocated in accordance with Rule ~~2.52.5~~ below.

2.4.2(b) For each Auction Portfolio, the resources shall be allocated as follows:

~~(a)~~(i) the resources of the Defaulting RCM (in the form of: (i) the Margin Cover of the Defaulting RCM pursuant to Rule ~~46(a)15(a)~~ of the Default ~~Fund~~ Rules and (ii) the Contributions made by the Defaulting RCM to the RepoClear Default Fund available pursuant to Rule ~~46(b)15(b)~~ of the Default ~~Fund~~ Rules at the time of the auction process) will be allocated to the Auction Portfolios based on the proportion that

(a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios; and

~~(b)(ii)~~ the portion of the Capped Amount applied to the RepoClear Business of the Defaulting RCM pursuant to Rule ~~16(e)~~15(c) of the Default Fund Rules will be allocated to the Auction Portfolios based on the proportion that (a) the risk of the relevant Auction Portfolio bears to (b) the aggregate of the risks (on an absolute basis) for all Auction Portfolios.

## 2.5 *Loss Attribution*

~~2.5.1(a)~~ Following the completion of all Auctions of all Auction Portfolios of the Defaulting RCM, the Clearing House will determine whether losses incurred by it following such Auctions are such that the Non-Defaulters' Contributions must be utilised. Where applicable, such losses will be allocated to Non-~~d~~Defaulters' Contributions in accordance with the loss attribution process described in Rules ~~2.5.2 to 2.5.4(b)~~ 2.5(d) of this Annex.

~~2.5.2(b)~~ For each Auction Portfolio, losses to the Clearing House will be met using the resources ~~as~~ set out in Rule ~~16.15~~. In applying those resources, the Clearing House will allocate the losses in respect of each Auction Portfolio (the "**Auction Losses**") by reference to the resources allocated to such Auction Portfolios in accordance with Rule ~~2.3.9(i)~~ of this Annex. Where there are no Auction Losses in respect of an Auction Portfolio or the Auction Losses in respect of an Auction Portfolio do not require the full amount of the resources referred to in ~~sub-paragraphs (a) and (b) of~~ Rule ~~2.4.2(b)~~ of this Annex allocated to the relevant Auction Portfolio (the "**Initial Resources**") to be fully utilised, the relevant surplus Initial Resources will be allocated *pro rata* between those Auction Portfolios in respect of which there are Auction Losses requiring the utilisation of resources beyond the Initial Resources available in the relevant Auction Portfolio in accordance with ~~Rule 16(a), 16(b) and 16(e)~~ Rules 15(a), 15(b) and 15(c) until such time as all Initial Resources have been fully utilised.

~~2.5.3(c)~~ In the case of each Auction for which there are Auction Losses, those Auction Losses will be allocated to ~~the~~ Non-~~d~~Defaulter's Contributions (the "**Original Contributions**") ~~based upon the proportion that (a) the value of each such Original Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such RCMs.~~

If, for an Auction Portfolio, there remain Auction Losses outstanding after the attribution process referred to ~~in sub-paragraph (c) above~~ in this Rule 2.5 of this Annex, and there are Auction ~~Portfolios~~ Losses relating to other Auction Portfolios in which the Original Contributions have not been fully utilised, the Clearing House shall attribute the remaining Auction Losses amongst such Original Contributions through the attribution process set out above.

~~2.5.4(d)~~ If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule ~~2.5.3~~ 2.5(c) above, those Auction Losses will be allocated to the RepoClear Unfunded Contributions based upon



the proportion that (a) the value of each such RepoClear Unfunded Contribution bears to (b) the aggregate of the amounts calculated in (a) for each of such RCMs until the first to occur of (i) the Auction Losses being fully met; and (ii) the RepoClear Unfunded Contributions being fully attributed.

~~2.5.5(e)~~ If and to the extent that there are Auction Losses outstanding following the attribution process referred to in Rule ~~2.5.4(d)~~ above, any Loss Distribution Charges payable by Non-Defaulting RCMs pursuant to Rule R9(b) of the Default ~~Fund~~ Rules shall be applied to reduce such Auction Losses.

### ~~3. TRANSFER OF CASH FLOWS AND REGISTRATION OF POSITIONS~~

#### 3. Transfer of Cash Flows and Registration of Positions

- 3.1 Following the disposal of all or part ~~or all~~ of an Auction Portfolio by way of Auction (and notwithstanding that other Auction Portfolios of the Defaulting RCM may not yet have been auctioned) the Clearing House, will, with the co-operation of the RCMs, transfer to the RCMs whose bids were accepted in respect of that Auction Portfolio the positions for which that RCM has successfully bid under the RepoClear Default Management Process. Such transfer may take place by way of registration of new positions with the Clearing House in the name of the relevant RCM, or novation of rights and obligations to the relevant RCM.
- 3.2 In order to effect the transfer of positions, the Clearing House shall prescribe such procedures and timetable as it considers reasonably appropriate in the circumstances. RCMs will be required to exercise best endeavours to comply with such requirements as may be established by the Clearing House, after consultation with the Fixed Income DMG, to effect the transfer of positions, including but not limited to the payment of any sums due as a result of the winning bid and the ~~transfer~~ provision of Collateral in an amount required by the Clearing House in respect of their initial margin, variation margin and additional margin obligations in respect of positions which are to be registered in their names. The Clearing House agrees that in such procedures it shall make provision for set-off by the Clearing House of amounts owed by the Clearing House to the RCM as a result of the operation of the RepoClear DMP against sums owed by the RCM to the Clearing House in respect thereof.
- 3.3 Where, as a result of an Auction, the Clearing House is required to make a payment to a RCM in respect of a winning bid, the Clearing House shall not be permitted to register any position, whether as a new position or as a novation of existing rights and obligations, to any such RCM if the Clearing House does not simultaneously credit that RCM with the requisite amount. If any position is so registered without such payment, such registration shall be deemed void *ab initio* and unenforceable against the relevant RCM. For the avoidance of doubt, the Clearing House will utilise the resources available to it pursuant to Rule ~~1615~~ of the Default ~~Fund~~ Rules for the purposes of making such a payment notwithstanding that other Auction Portfolios of the Defaulting RCM may not yet have been auctioned and that the loss attribution process provided for by Rule ~~2.5.2.5~~ of this Annex has not yet occurred.

~~4.~~ [INFORMATION REGARDING THE Default Management in respect of RepoClear Client Clearing Business](#)

The RepoClear DMP in respect of any contract which is a Fixed Income Contract in respect of RepoClear Client Clearing Business shall be conducted in accordance with the Client Clearing Annex (which such stages, for the avoidance of doubt, will result in a Fixed Income Contract in respect of RepoClear Client Clearing Business being dealt with in accordance with Rules 2 and 3 above in the event that it cannot be ported by the Clearing House).

~~4.5.~~ [Information regarding the RepoClear DMP](#)

Whenever the RepoClear DMP is implemented by the Clearing House in respect of a Defaulting RCM, the Clearing House will, with the assistance of the Fixed Income DMG, provide such ongoing information to RCMs as the Clearing House deems reasonably appropriate in respect of the progress of the RepoClear DMP.

Nothing in this Rule ~~45~~ shall require the Clearing House to disclose information in respect of the RepoClear DMP which, in the reasonable opinion of the Clearing House, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the Clearing House's reasonable opinion, inappropriate for disclosure to RCMs.

~~5.~~ [MISCELLANEOUS](#)

~~6.~~ [Miscellaneous](#)

~~5.16.1~~ Subject to Rules 2.3-~~9 and 2.5(i)~~ and ~~2.5~~ of this Annex, the resources available to the Clearing House and their order of use are defined in Rule ~~4615~~ of the Default-Fund Rules as modified and/or supplemented by the RepoClear Default Fund Supplement.

~~5.26.2~~ The Clearing House may from time to time supplement the details of any of the stages set out in Rule 1 of this Annex or any other aspects of the RepoClear DMP, in consultation with the Fixed Income DMG, either by way of further Guidance or immediately on notice to RCMs on a case-by-case basis where the Clearing House deems it appropriate to do so in the circumstances of the Default, **provided that** the Clearing House may not take any such action that effects a material change to the terms of this Annex without the written consent of 50% per cent. of all RCMs unless such change is invoked unilaterally against all RCMs and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House. The Clearing House agrees that, in the ordinary course, it shall discuss any such Guidance with the Fixed Income DMG prior to bringing the Guidance into effect except that it shall not be required to do so where (i) the Guidance is not material to the rights and obligations of the RCMs or (ii) the Clearing House deems it inappropriate to do so in the circumstances of the Default and it is not possible to convene the Fixed Income DMG in timely fashion.

~~5.36.3~~ The timetable for implementation of the stages of the RepoClear Default Management Process following issue of a Default Notice by the Clearing House shall be either (1) as prescribed by the Clearing House from time to time in consultation with the Fixed



Income DMG and set out in Guidance; or (2) imposed by the Clearing House without prior notice to the RCMs on a case-by-case basis where the Clearing House, in consultation with the Fixed Income DMG, deems it appropriate to do so in the circumstances of the Default.

~~6.7.~~ ROLE AND CONSTITUTION OF Role and Constitution of Fixed Income DMG

~~6.4.7.1~~ The Fixed Income DMG shall meet at regular intervals in order to:

~~6.1.1~~(a) keep under review the RepoClear DMP, together with any Guidance issued in respect thereof;

~~6.1.2~~(b) keep under review the terms of reference of the Fixed Income DMG to ensure they remain appropriate;

~~6.1.3~~(c) consider appropriate supplements or amendments to the RepoClear DMP and/or Guidance in order to improve the procedures in place; and

~~6.1.4~~(d) consider any other business relevant to the RepoClear DMP which any member of the Fixed Income DMG from time to time sees fit to raise at such meetings.

~~6.2.7.2~~ The members of the Fixed Income DMG shall also meet within one hour, or as soon as reasonably practical, following notification by the Clearing House that a Default Notice has been served upon an RCM, and at sufficiently frequent intervals thereafter for so long as may be necessary to assist the Clearing House in the implementation of the RepoClear DMP as contemplated under this Agreement. Such implementation shall include, without limitation, the provision of general default management advice with regard to: (1) the ongoing obligations of the Clearing House to its non-defaulting members; (2) the hedging and closing-out of the individual obligations of the Defaulting RCM; and (3) the splitting of Portfolios and the disposal of Auction Portfolios in accordance with the RepoClear DMP. Where it is not possible or practicable for the RCM to provide its nominated representative within an appropriate timeframe, it shall provide an alternate of suitable experience and expertise to participate on the Fixed Income DMG.

~~6.3.7.3~~ The Fixed Income DMG shall be made up of the following individuals who, unless stated otherwise, shall be appointed by the Clearing House which shall ensure that the composition is such as to provide effective review of the RepoClear DMP and suitable expertise and representation of market-making capacity in the event of a Default:

~~6.3.1~~(a) the Head of Fixed Income at the Clearing House (or his or her deputy), who shall act as chairman;

~~6.3.2~~(b) representatives of at least four RCMs, being senior executives with appropriate skills and expertise, at least two of which shall be from organisations with membership of both LCH.Clearnet Ltd and LCH.Clearnet S.A.;

6.3.3(c) \_\_\_\_\_ the head of the Fixed Income Risk group at the Clearing House (or his or her deputy);

6.3.4(d) \_\_\_\_\_ a member of the Liquidity Management group at the Clearing House or other employee of the Clearing House authorised to represent the Liquidity Management group;

6.3.5(e) \_\_\_\_\_ in the event of the issuance of a Default Notice, a representative of the Defaulting RCM may be invited to join the Fixed Income DMG to assist its work; and

6.3.6(f) \_\_\_\_\_ such other individuals as the Fixed Income DMG considers appropriate from time to time in relation to individual meetings.

Where the Clearing House has appointed any representative of any RCM to be a member of the Fixed Income DMG, such RCM shall be obliged to make an appropriate representative of that RCM available for that purpose. It is expected that representation on the Fixed Income DMG will be preceded by participation in a DMP fire drill.

6.4.7.4 For the purpose of Fixed Income DMG meetings convened to deal with a specific Defaulting RCM, the Clearing House may, after consultation with the Fixed Income DMG, invite the Defaulting RCM to nominate one or more representatives to join the Fixed Income DMG to assist it in carrying out its functions in the RepoClear DMP for that Defaulting RCM, and also request representatives from any other RCMs. In the event of receiving such request, the RCM shall be obliged to provide its nominated representative, or an alternate with appropriate skills, experience and expertise, as if the RCM were a member of the Fixed Income DMG.

6.5.7.5 In establishing the Fixed Income DMG, the Clearing House agrees that in the normal course of events (not including the Clearing House's declaration of a Default and the invocation of the processes as outlined in Rules 1 and 3 of ~~this Annex~~ [the Default Rules](#)) it will, as far as practicable, and in accordance with the terms of reference of the Fixed Income DMG, rotate the membership of the Fixed Income DMG on a regular basis and amongst all RCMs. The RCM agrees that, when requested to do so by the Clearing House, it will make available a representative to participate in the Fixed Income DMG. The Clearing House shall agree with the RCM the identity of such representative and shall be able to request a substitute where it believes the RCM's nominated representative does not have the requisite skills or expertise.

6.6.7.6 Each RCM who makes available a representative to serve on the Fixed Income DMG agrees, and shall procure that, to the extent applicable, its representative agrees:

6.6.4(a) \_\_\_\_\_ to ensure that such representative will be fully available, at any time and for such periods of time as the Clearing House may require during the course of a Default, to perform his function as a member of the Fixed Income DMG including attending meetings, considering and advising the Clearing House upon aspects of the RepoClear DMP. The RCM shall ensure that a representative's other work commitments do not affect his availability for this purpose;

[6.6.2\(b\)](#) to take all steps to respect the confidential capacity in which such a representative receives information through the Fixed Income DMG and to establish adequate procedures to prevent the disclosure or use for any commercial purpose outside the scope of the RepoClear DMP of any such confidential information by the RCM or its representative. Such procedures shall normally include, without limitation, the establishment of Chinese walls within the RCM; and

[6.6.3\(c\)](#) to be bound by and to ensure that it and any of its executives or directors serving on the Fixed Income DMG complies with the requirements contained in the Procedures.

[6.7.7](#) Each RCM shall accept that:

[6.7.1\(a\)](#) representatives of RCMs serving on the Fixed Income DMG are doing so in order to assist the Clearing House in ensuring the on-going integrity of the RepoClear service in the interests of Non-Defaulting RCMs; and

[6.7.2\(b\)](#) representatives of RCMs serving on the Fixed Income DMG and their employers shall have no liability for any disinterested advice or actions, mandated or otherwise, that are undertaken as part of the RepoClear Default Management Process, **provided, however, that** nothing in this Rule [6.7.27\(b\)](#) shall exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers.

[6.87.8](#) The Clearing House agrees that, in exercising its rights and obligations in consulting with the Fixed Income DMG pursuant to this Agreement, it will use all reasonable commercial endeavours to agree a common position with the Fixed Income DMG, **provided that** nothing in this Rule shall prevent the Clearing House acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a Recognised Clearing House.

[6.97.9](#) The Clearing House may run RepoClear DMP "fire-drills" from time to time. RCMs will be required to actively participate in a DMP fire-drill when requested to do so by the Clearing House. Those required to participate in a fire-drill will be limited to the top 90% per cent. of RCMs based on total ~~Initial Margin of~~ [initial margin requirements over](#) the previous three months. The fire-drill list of potential participant RCMs will be refreshed on a semi-annual basis by the Clearing House.

**LCH.Clearnet Rule Submission**

**Exhibit 6**

**Black-line of changes to Default Fund Rules**

~~LCH.CLEARNET LIMITED~~

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LCH.CLEARNET LIMITED  
DEFAULT RULES

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## CONTENTS

<u>Rule</u>	<u>Page</u>
<b><u>DEFAULT RULES</u></b> .....	<b><u>1</u></b>
<u>Reduction of Losses on Default</u> .....	<u>13</u>
<u>Terms on which Contribution is held</u> .....	<u>15</u>
<u>Application of Defaulter's Contribution and Certification of Aggregate Excess Losses</u> 16	<u>16</u>
<u>Application of Fund and Indemnity</u> .....	<u>17</u>
<u>Effect of cessation of Clearing Member status</u> .....	<u>19</u>
<u>Schedule 1 Client Clearing Annex</u> .....	<u>21</u>
<u>Schedule 2 Swapclear DMP Annex</u> .....	<u>30</u>
<u>Schedule 3 Forexclear DMP Annex</u> .....	<u>46</u>
<u>Schedule 4 Repoclear DMP Annex</u> .....	<u>61</u>
<u>Schedule 5 ForexClear Default Fund Supplement</u> .....	<u>72</u>
<u>Schedule 6 SwapClear Default Fund Supplement</u> .....	<u>87</u>
<u>Schedule 7 RepoClear Default Fund Supplement</u> .....	<u>104</u>
<u>Schedule 8 Equities Default Fund Supplement</u> .....	<u>116</u>
<u>Schedule 9 Commodities Default Fund Supplement</u> .....	<u>128</u>
<u>Schedule 10 Listed Interest Rate Default Fund Supplement</u> .....	<u>139</u>

## Reduction of Losses on Default

~~16-15.~~ Subject to any contrary provision of the Rulebook, where a ~~d~~Defaulter fails to pay any sum payable to the Clearing House, the Clearing House shall reduce or bear its loss in the manner provided by this Rule~~:-~~:

(a) first, to the extent the Clearing House determines appropriate, in applying any Collateral ~~held by~~transferred to the Clearing House ~~in respect of~~by the ~~d~~Defaulter and any other sum owed to the ~~d~~Defaulter other than any Contribution (together, "**Margin Cover**"), **provided that** (i) Margin Cover related to ~~each a particular~~ type of Business ~~of the defaulter~~ is to be applied first to any loss attributable to that ~~type of~~ Business until such loss is absorbed; and (ii) save in the case where the relevant Client Accounts are two or more Individual Segregated Accounts opened by the Defaulter on behalf of the same Clearing Client (or, in the case of a Defaulter who is an FCM Clearing Member, two or more FCM Client Sub-Accounts held in the name of the same FCM Client or two or more FCM Omnibus Futures Client Accounts with LCH), in no circumstances will Margin Cover transferred by the Defaulter in respect of obligations arising on a Client Account be applied by the Clearing House pursuant to this stage (a) in respect of any loss attributable to any of the Defaulter's other accounts;

(b) second, by (i) recourse to the ~~d~~Defaulter's relevant Contribution in respect of the type of Business to which the loss relates, followed by (ii) recourse to any other Contribution made by the ~~d~~Defaulter to the extent not utilised under (i) above. The Clearing House will exercise its rights of recourse under this ~~Rule 16(b)~~stage (b) by set-off against the Clearing House's obligation to repay the relevant Contributions to the ~~d~~Defaulter;

(c) third, by payment from the Clearing House's own account of an amount ~~up to a maximum~~(the "**Capped Amount**") (i) determined by the Clearing House from time to time in accordance with the requirements relating to the calculation and the setting aside of £20,000,000 (dedicated own resources under the Own Resources Provision; or ~~such greater~~(ii) in the case of a subsequent Default occurring before the Clearing House has reinstated the dedicated resources required in accordance with the Own Resources Provision, representing the residual amount ~~(if of such dedicated own resources.~~

Where there are amounts due from the Defaulter at this stage in respect of more than one type of Business (each a "**Relevant Business**" in respect of the Defaulter), a separate Capped Amount determined in accordance with Rule 15(c)(i)-(ii) will be paid from the Clearing House's own account under this stage (c) in respect of such Relevant Business.

(d) fourth, to the extent that any insurance or analogous arrangement is not available to the Clearing House, by recourse to the indemnities given under Rule 21 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for calling any Unfunded Contributions have been

satisfied, then references to the Contributions of Clearing Members other than the Defaulter in this Rule 15(d) shall include such Unfunded Contributions;

- ~~(e) fifth, by recourse to any insurance cover or analogous arrangement;~~
- (f) sixth, by recourse to the indemnities given under Rule 21 by Clearing Members other than the Defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for calling any Unfunded Contributions have been satisfied, then the references to the Contributions of Clearing Members other than the Defaulter in this Rule 15(f) shall include such Unfunded Contributions;
- (g) seventh, by recourse to any other indemnities, guarantees, undertakings or monies provided by Clearing Members;
- (h) eighth, in respect of RepoClear Business only, by recourse to the Service Closure Payments set out in Rule R11; or
- (e)(i) ninth, and in respect of RepoClear Excess Loss only, as ~~may be determined from time to time~~ a loss borne by the ~~Board of the~~ Clearing House) ~~(the "Capped Amount")~~, for its own account. For the avoidance of doubt, amounts will only be paid under this stage ~~(e)(i)~~ if and to the extent that to do so would not result in the Clearing House being unable to meet all its other liabilities (taking into account for these purposes the obligation of the Clearing House to return cash Collateral transferred to ~~it by the~~ Clearing ~~Members~~House in respect of ~~their initial~~ Clearing Members' margin obligations and to repay the Contributions of all Clearing Members).

~~Where there are amount due from the defaulter at this stage in respect of more than one type of business, the Capped Amount shall be applied to these amounts pro rata.~~

~~fourth, to the extent that any insurance or analogous arrangement is not available to the Clearing House, by recourse to the indemnities given under Rule 28 by Clearing Members other than the defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for calling any Unfunded Contributions have been satisfied, then References to the Contributions of Clearing Members other than the defaulter in this Rule 16(d) shall include such Unfunded Contributions;~~

~~(a) fifth, by recourse to any insurance cover or analogous arrangement;~~

~~sixth, by recourse to the indemnities given under Rule 28 by Clearing Members other than the defaulter (which shall be satisfied by set-off against the Clearing House's obligation to repay the relevant Contributions of such Clearing Members). If the criteria specified in a relevant Supplement for calling any Unfunded Contributions have been satisfied, then References to the Contributions of Clearing Members other than the defaulter in this Rule 16(f) shall include such Unfunded Contributions;~~



~~seventh, by recourse to any other indemnities, guarantees, undertakings or monies provided by Clearing Members;~~

~~eighth, in respect of RepoClear Business only, by recourse to the Service Closure Payments set out in Rule R11; and~~

~~ninth, in respect of a RepoClear Excess Loss only, as a loss borne by the Clearing House for its own account. For the avoidance of doubt, amounts will only be paid under this stage (i) if and to the extent that to do so would not result in the Clearing House being unable to meet all its other liabilities (taking into account for these purposes the obligation of the Clearing House to return cash Collateral transferred to it by Clearing Members in respect of their initial margin obligations and to repay the Contributions of all Clearing Members).~~

~~This Rule has effect without prejudice to any rights of the Clearing House or any other person against the defaulter.~~ Any Excess Loss remaining in respect of a particular Business after application of the available resources under stages ~~(a) to (g)~~ under this Rule 16(a) to (g) under this Rule 15 shall be addressed as provided under the relevant Supplement, ~~and~~ without any recourse to Service Closure Payments (except with regard to RepoClear only) or other loss allocation provisions under any other Supplement or (except as provided in stage (i) with regard to RepoClear only) to the capital of the Clearing House.

Where a ~~d~~Defaulter is engaged in more than one type of ~~Relevant~~ Business, the completion of the default management processes in respect of such Relevant Businesses may occur at different times. The Clearing House may be required to make a determination in respect of one Relevant Business (including certification of a Default Loss under Rule ~~23(b), 16(b)~~, certification of a net sum payable under Rule ~~26(a)~~19(a) or the value of an Excess Loss) in order to manage the ~~d~~Default at a time when (a) the determination is contingent on an outcome of the default management process in respect of some other Relevant Business, and (b) that outcome has not yet been reached. In the interests of efficient resolution, the Clearing House may at such point make assumptions about that outcome, and proceed with the relevant process on that basis. Where any such assumptions have been made, the Clearing House shall, on the completion of the default management processes in respect of all Relevant Businesses, make such credits to the default funds relating to the Relevant Businesses and such distributions to former Clearing Members as may be necessary to put the default funds and those firms which had contributed to such ~~d~~Default funds at the time of the relevant default in the position that they would have been in if the correct outcomes had been ~~used~~reached and the relevant assumptions had not been made.

#### ~~17. — 22. Rules no longer in force~~

~~This Rule has effect without prejudice to any rights of the Clearing House or any other person against the Defaulter.~~

## Terms on which Contribution is held

16. ~~(a) Subject to Rules (b) and (c);~~

23.(a) Subject to Rules 16(b) and (c) below, the outstanding balance of a Clearing Member's Contribution (or, as appropriate, part thereof) shall be repayable to the Clearing Member on the earliest to occur of the following events:

(i) if the Clearing Member is not a ~~d~~Defaulter (or the Clearing Member is a ~~d~~Defaulter and has validly exercised its rights under Regulation ~~39A45~~39A45(e)), the effective date of termination of the Clearing Member's status as a Clearing Member (including a Termination Date under Regulation ~~39A45~~39A45 (Netting) or under FCM Regulation ~~24A~~24A;37 (Netting));

(ii) if the Clearing Member has become a ~~d~~Defaulter, the date or event appointed by the Clearing House for repayment of sums due to the Clearing Member under Rule ~~9~~9;

(iii) the amount of ~~the~~a relevant Contribution being reduced by virtue of the recalculation of its amount in accordance with the ~~provisions of~~arelevant Supplement (in which case the relevant Contribution shall be repayable only to the extent of such reduction);

(iv) the Clearing House making an Insufficient Resources Determination ~~in accordance with the provisions of the~~pursuant to a Supplement ~~to which the Contribution relates~~; and

(v) the expiry of a period of 50 years from the date on which the Contribution was paid to the Clearing House.

(b) If a Clearing Member becomes a ~~d~~Defaulter, the Clearing House shall as soon as practicable after any Margin Cover has been applied pursuant to Rule ~~16~~15, certify one or more net sums then payable by the ~~d~~Defaulter to the Clearing House in respect of each type of Business (each a "Default Loss"), disregarding for this purpose any of the ~~defaulting—Clearing Member's~~Defaulters' Contributions. If the Clearing House certifies any Default Loss, all of the ~~d~~Defaulter's Contribution in respect of the ~~r~~Relevant Business shall immediately become due and repayable, but only in an amount not exceeding that Default Loss. Insofar as the Default Loss exceeds the ~~d~~Defaulter's Contribution in respect of the ~~r~~Relevant Business, the ~~d~~Defaulter's Contributions (if any) made in respect of other types of Business shall become due and repayable; in an amount in aggregate not exceeding the total Default Loss remaining after deducting the ~~d~~Defaulter's Contribution in respect of the Business to which the Default Loss relates.

(c) If an amount becomes payable by the Clearing Member under Rule ~~28~~21, the Clearing Member's relevant Contribution shall immediately become due and repayable, but only to the extent of such amount.

~~24.17.~~ Interest shall accrue on the amount of a Contribution at such rate and in such manner as provided in the relevant Supplement. Interest shall not be regarded as part of ~~the~~ Contribution.

~~25.18.~~ A Clearing Member's entitlement to repayment of any of its Contributions or any part of them shall not be capable of assignment by the Clearing Member, nor shall Contributions be capable of being charged or subject to any other form of security whether purporting to rank in priority over, *pari passu* with or subsequent to, the rights of the Clearing House. Any purported charge or assignment by a Clearing Member (whether by way of security or otherwise) of its Contributions shall be void. A Clearing Member shall not otherwise encumber (or seek to encumber) its Contributions.

#### Application of ~~the~~ Defaulter's Contribution, and Certification of Aggregate Excess Losses

~~26.19.~~ Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, in the event of a Default and the certification by the Clearing House of a Default Loss under Rule ~~23(b)16(b)~~ in respect thereof, the Clearing House shall without notice set off in or towards satisfaction of any sums payable to the Clearing House from the ~~the~~ Defaulter any amount of any Contribution of the ~~the~~ Defaulter which has become due and repayable in accordance with Rule ~~23(b)16(b)~~. If the Clearing House is to have recourse, in accordance with Rule ~~16,15~~, to the indemnities, guarantees, undertakings or monies provided by Clearing Members other than the ~~the~~ Defaulter, as soon as practicable the Clearing House shall certify ~~(by a "Rule 2619 Certificate"):-~~:

(a) ~~the~~ amount of the ~~the~~ Defaulter's Contribution applied under this Rule and the net sum (if any), or each net sum (if more than one), ~~then~~ immediately payable by the ~~the~~ Defaulter to the Clearing House in respect of the types of Business undertaken by the ~~the~~ Defaulter, taking into account for this purpose the ~~defaulter's Contribution~~ Defaulter's relevant Contributions; and

(b) ~~the~~ extent to which any sums so payable by the ~~the~~ Defaulter to the Clearing House (but that remain unpaid) may be claimed by the Clearing House under a policy of insurance or analogous instrument relating to losses arising upon a Default.

The Clearing House may issue more than one Rule ~~2619~~ Certificate in relation to losses arising upon any Default.

Where a Rule ~~2619~~ Certificate is to be issued, the Clearing House may assume that no recoveries will be made in respect of obligations of the ~~the~~ Defaulter ~~(beyond the value of its Contributions)~~.

~~27.20.~~ The Clearing House may, in the exercise of the right conferred by Rule ~~2619~~, set off the amount due (in accordance with Rule ~~23(b)16(b)~~) to a ~~the~~ Defaulter in respect of the ~~the~~ Defaulter's Contribution or any part thereof against sums owing on any account whether or not it is a ~~client account~~ Client Account, and the Clearing House shall have unfettered discretion in this regard.

## Application of Fund and Indemnity

21. By virtue of ~~this Rule and its agreement with~~ the Clearing ~~House~~ Membership Agreement and this Rule, and subject to Rule ~~29, 22~~:

~~28.~~ (a) each Clearing Member (for these purposes, a "Non-Defaulting Clearing Member") grants a separate limited-recourse indemnity to the Clearing House in respect of each type of Relevant Business in which it participates. In relation to each type of Relevant Business, the indemnity is granted in respect of each Excess Loss arising in respect of the Relevant Business upon the Default of another Clearing Member. The amount of an indemnity is limited to an aggregate amount not exceeding the amount of the Non-Defaulting Clearing Member's Contribution in respect of the Relevant Business as calculated at the Determination Date immediately before the relevant Default, together with ~~any~~ the amount of any Unfunded Contribution ~~and any~~ Loss Distribution Charge and/or Supplementary Contribution in respect of the Relevant Business that the Clearing House has called or would be entitled to call from the Non-Defaulting Clearing Member in relation to that Default;

(b) The amount due by a Non-Defaulting Clearing Member in respect of an Excess Loss shall, save as otherwise provided under the ForexClear DMP Annex, the SwapClear DMP Annex or the RepoClear DMP Annex, be the Non-Defaulting Clearing Member's *pro rata* share of such loss arising upon the relevant Default calculated as the proportion of such Member's relevant Contribution relative to the aggregate relevant Contributions of all Clearing Members engaged in the ~~relevant~~ Relevant Business other than the relevant dDefaulter at the time of the relevant Default. ~~The amount so due shall become immediately payable automatically (without any obligation on the part of the Clearing House to make demand on the Clearing Member) upon the issue by the Clearing House of the,~~ as applicable Rule 26 Certificate. Without prejudice to any other right of set-off or application of funds to which the Clearing House may be entitled, the Clearing House shall forthwith without notice set off any amount due in accordance with Rule ~~23(e)~~ 16(c) to a Clearing Member in respect of the relevant Contribution of such Clearing Member in or towards satisfaction of the amount payable by such Clearing Member under this Rule ~~28.21~~.

~~29.22.~~ This Rule applies to a dDefaulter (the "**First dDefaulter**") where the Contribution of the First dDefaulter has not been repaid to the First dDefaulter or applied by the Clearing House under Rule ~~26, 19~~, and Aggregate Excess Losses arise upon the Defaults of other Clearing Members. Where this Rule applies, Rule 2821 shall have effect with the following modifications:-

(a) the balances (if any) of the First dDefaulter's relevant Contributions may be applied under Rule ~~2821~~ in respect of such relevant Aggregate Excess Losses up to and including the date three months after the date of issue of the Default Notice in respect of the First dDefaulter's Default; and

(b) after ~~the date~~ three months after the date of issue of such Default Notice, the balances (if any) of the First dDefaulter's relevant Contributions may not be applied under Rule ~~2821~~ in respect of such relevant Aggregate Excess Losses,

but they may be retained on account of losses arising upon the First ~~d~~Defaulter's own Default and, for the purposes of Rule ~~28,21~~, they shall be disregarded.

~~30.23.~~ The Clearing House shall give notice to each Clearing Member as soon as practicable after an amount has become due in accordance with Rule ~~2821~~ and of the manner in which it has been satisfied.

~~34.24.~~ If, in relation to a Default, the Clearing House has not yet certified in any Rule ~~2619~~ Certificates issued on or before the Determination Date occurring immediately after the Default all sums which may be or become due to the Clearing House from the ~~d~~Defaulter (because such sums will not or may not become liquidated or for any other reason payable until a later date), the Clearing House shall maintain a Contribution from each Clearing Member (other than the ~~d~~Defaulter) as cover for the performance by such Clearing Member of its obligation to indemnify the Clearing House in relation to any Aggregate Excess Loss not yet certified. In fulfilment of this requirement the Clearing House may take any step which appears to the Clearing House to be appropriate, and the steps so taken may include any (including a combination) of the following:

(a) postponement of the date for adjustment of Clearing Members' Contributions under Rules C5(a), E5(a), F5, L5(a), S5 or R5; as applicable in the case;

(b) reduction of the amounts payable to some or all Clearing Members under Rules C5(a)(i), E5(a)(i), F5(a), L5(a)(i), S5(a) or R5(a); as applicable in the case; and

(c) estimation of the amount of Aggregate Excess Losses which may become certified after the relevant Determination Date as appropriate, and application of Rule ~~2821~~ as if such estimated amount were already realised as an Aggregate Excess Loss.

The Clearing House shall notify Clearing Members of any steps taken under this Rule.

### ~~32. 32A. Rules no longer in force~~

#### Effect of cessation of Clearing Member status

~~25.~~ Subject to Rule ~~34,26~~, if a date for calculation of a Clearing Member's Contribution occurs: (i) after the giving of notice: ~~(i)~~ by or in respect of any Retiring Member; ~~(ii) by a Clearing Member, but prior to the Clearing House relevant Retirement Effective Date;~~ or (ii) after the giving of notice by or in respect of any Resigning Member for the purposes of resigning from a particular Service; ~~or (iii) but before the relevant Resignation Effective Date; or~~

(a) if a Supplementary Contribution is called by the Clearing House in relation to a Clearing one or more Services: (i) after the giving of notice by or in respect of any Retiring Member, but prior to the relevant Retirement Effective Date; or (ii) after the giving of notice by or in respect of any Resigning Member for the purposes of requiring such Clearing Member to resign resigning from a

particular Service (~~the "Relevant Service"~~) ~~(a Clearing Member~~ but prior to the relevant Resignation Effective Date,

the arrangements provided for in the purposes of (ii) and (iii) remainder of this paragraph, ~~a "Resigning Member"~~, ~~and before the termination of such Retiring Member's Clearing Member status or the Resigning Member's resignation from the Relevant Service (as the case may be):~~ Rule 25 shall apply:

- ~~(a)~~(b) if the Retiring Member or Resigning Member is not a ~~d~~Defaulter, the amount of such Retiring Member's Contribution (including any Supplementary Contribution) or such Resigning Member's Contribution (including any Supplementary Contribution) in respect of the ~~R~~Relevant Service shall be determined by the Clearing House on the basis set out in the relevant Supplement without regard to the impending termination of such Retiring Member's Clearing Member status or Resigning Member's resignation (as the case may be), and, in the case of Contributions other than Supplementary Contributions the provisions of the relevant Supplement as to payment following adjustment ~~of amounts~~ of Contributions shall apply in respect of such Contribution accordingly;
- ~~(b)~~(c) if the Retiring Member or Resigning Member is a ~~d~~Defaulter, the balance of such Retiring Member's Contribution or such Resigning Member's Contribution in respect of the ~~R~~Relevant Service (as the case may be) after any part of it has been applied under Rule ~~2619~~ or Rule ~~2821~~ shall not be subject to adjustment under the relevant Supplement, and the provisions of the relevant Supplement as to payment following adjustment of ~~amounts of~~ Contributions shall not apply to such Retiring Member or Resigning Member in respect of the ~~R~~Relevant Service.

Notwithstanding the foregoing, in such circumstances, when the amounts of the respective Contributions of all Clearing Members other than any Retiring Member or any Resigning Member in respect of the ~~R~~Relevant Service are determined in accordance with the relevant Supplement, the Clearing House shall disregard any Clearing Member which is a Retiring Member or, in relation to a ~~R~~Relevant Service, any Resigning Member in respect of that ~~R~~Relevant Service, in particular ~~disregarding such, the~~ Clearing Member's House shall disregard the daily margin ~~requirement obligations~~ and ~~such Clearing Member's~~ daily number of Contracts of such Retiring Member or daily margin obligations and ~~treating~~ daily number of Contracts in the relevant Services of such Resigning Member (as applicable); and shall treat any such Retiring Member as no longer being a Clearing Member ~~or and~~ any such Resigning Member as no longer being a Clearing Member in respect of the ~~R~~Relevant Service.

- ~~34.26.~~ This Rule applies at any date for calculation of a Clearing Member's Contribution ~~or~~ falling after a Retiring Member has given notice of the termination of its Clearing Member status, or a Resigning Member has given notice of the termination of its Clearing Member status in respect of a relevant Service, and where another Clearing Member (the "**Continuing Member**") has arranged to undertake clearing on behalf of the Retiring Member, or clearing in respect of the relevant Service on behalf of the Resigning Member. If, in the opinion of the Clearing House, the Contribution of the



Continuing Member determined under the relevant Supplement does not fairly reflect the Continuing Member's share of clearing activity, the Clearing House may determine the Contribution of the Continuing Member as if the ~~Relevant Business~~ carried on by the Retiring Member or Resigning Member in respect of the relevant Service were part of the ~~Relevant Business~~ carried on by the Continuing Member. ~~If the Clearing House determines the amount of a Continuing Member's Contribution under this Rule, the~~ The Clearing House shall give notice of any Contribution determined under this Rule to the relevant Continuing Member, and the provisions of Rule ~~33~~25 shall not apply.

~~35.27.~~ A Retiring Member ~~and/or~~ a Resigning Member ~~in respect of a Relevant Service~~ shall, ~~until the completion of the process set out in Rule 8 in relation to any Default,~~ continue to be liable under its Rule ~~28~~21 indemnity in respect of Aggregate Excess Losses ~~arising upon such Default, notwithstanding that the Clearing Member status of the Retiring Member has terminated or that the Resigning Member has resigned in respect of the Relevant Service before that time.~~ relating to any Default which arises prior to the Retirement Effective Date or prior to the relevant Resignation Effective Date, respectively. While a Retiring Member or Resigning Member continues to be so liable, it shall ~~transfer~~provide such ~~Collateral~~Cover as the Clearing House shall require in respect of its liability in relation to any Aggregate Excess Losses not yet certified, subject to such ~~e~~Cover not exceeding the Retiring Member's Contribution at the ~~time of the termination of its clearing membership,~~ Retirement Effective Date or the Resigning Member's Contribution to the ~~Relevant Service~~ at the ~~time of its resignation~~relevant Resignation Effective Date. In fulfilment of this requirement, the Clearing House may take any step which appears to the Clearing House to be appropriate, including the postponement of the date for repayment of ~~part~~all or ~~all~~part of the Retiring Member's Contribution or Resigning Member's Contribution in respect of the ~~Relevant Service (as the case may be),~~ notwithstanding that the Retirement Effective Date or the relevant Resignation Effective Date may occur before the completion of the default management process relating to the relevant Default. The Clearing House shall notify the Retiring Member or the Resigning Member of any steps taken under this Rule.

#### **Recoveries from defaulters**

~~36.28.~~ If all or part of the Contributions of any Clearing Member ~~shall~~ have been applied in accordance with Rule ~~28,21,~~ the Clearing House shall ~~(except as otherwise provided in a Supplement)~~ account to each such Clearing Member (whether or not it remains at the relevant time a Clearing Member of the Clearing House) in respect of any Net Recovery, *pro rata* to the respective amounts applied in accordance with Rule ~~28~~21 in relation to the relevant Default and in an amount not exceeding, in relation to each such Clearing Member, the amount of its Contributions so applied.

#### **Rules no longer in force**

**~~ForexClear Default Fund Supplement~~**

~~In accordance with and subject to Rule F2,~~



**SCHEDULE 5**  
**FOREXCLEAR DEFAULT FUND SUPPLEMENT**

F1. In accordance with and subject to Rule F2, the amount of each ForexClear Clearing Member's ForexClear Contributions shall be determined by the Clearing House as soon as practicable after each ForexClear Determination Date as appropriate on the basis of information available as at close of business on such ForexClear Determination Date and notified to such FXCCM as soon as practicable after such determination in accordance with the Procedures.

F2. Each FXCCM's ForexClear Contribution (other than ~~any~~ any ForexClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:

(a) determinations will be made by the Clearing House on the date that an FXCCM joins the ForexClear Service, and at the close of business on the first business day of each subsequent month, and otherwise in accordance with paragraph ~~(g) below;~~ (g) below (each a "**ForexClear Determination Date**") **provided, however, that** following a Default, any such determinations and any such ForexClear Determination Date which might otherwise have occurred under this Rule ~~F2~~ F2 shall be suspended for the duration of the period (the "**ForexClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:

(i) the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and

(ii) where, prior to the ~~to the~~ end of the period referred to in ~~(i)~~ (i) above (or such period as has already been extended pursuant to this ~~sub-~~ paragraph ~~(ii)~~ (i)), one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);

(b) On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 30 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to ForexClear Business (for a given scenario);

(c) the "**ForexClear Fund Amount**" shall be calculated in United States ~~D~~ dollars ("**USD**") and, for a given ForexClear Determination Date, shall be the largest of the 30 Combined Loss Values determined under ~~Rule (b) plus 10%~~ paragraph (b) above plus 10 per cent. The ForexClear Fund Amount shall not be less than USD 70 million (the "**ForexClear Fund Floor**");

- (d) the FXCCM's "ForexClear Margin Weight" shall be calculated by dividing the average daily initial margin ~~requirement~~obligation (as calculated under the Procedures or other arrangements applicable) which has applied to the FXCCM during the reference period in ~~Rule F2(b), paragraph (b)~~ above, in respect of all ForexClear Contracts to which the FXCCM is a party by the total of such average daily ~~requirements~~obligations applied to all Non-Defaulting FXCCMs;
- (e) the FXCCM's "Preliminary ForexClear Contribution" shall be calculated by multiplying the ForexClear Fund Amount by the FXCCM's ForexClear Margin Weight;
- (f) if the FXCCM's Preliminary ForexClear Contribution is below the Minimum ForexClear Contribution for the time being, the FXCCM's ForexClear Contribution shall be the Minimum ForexClear Contribution; and
- (g) subject to a suspension pursuant to ~~Rule F2(a), paragraph (a)~~ above, the Clearing House may recalculate the ForexClear Fund Amount on any business day if the Combined Loss Value differs by more than 25% per cent. from the figure on which the previous ForexClear Contribution determination was based.

F3. For the purposes of the calculations under Rule ~~F2~~F2:

- (a) references to "ForexClear Clearing Members" or "FXCCMs" do not include references to Defaulting FXCCMs (apart from any Defaulting FXCCM in respect of which the Clearing House permits the application of Rule ~~F2~~F2) or persons which were formerly FXCCMs but are not FXCCMs at the ForexClear Determination Date at which the relevant determination is made;
- (b) ~~C~~contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand US dollars; ~~and~~
- (c) no account shall be taken, in calculating ~~the~~ initial margin ~~requirement~~ or ForexClear Margin Weight under Rule ~~F2~~F2 of any offsets applied in ~~the~~calculating initial margin ~~required for obligations imposed on an FXCCM in respect of~~ ForexClear Contracts ~~from an FXCCM~~, which may otherwise be permissible under the Procedures or other arrangements applicable;
- (d) ~~P~~**provided that** the FXCCM is not a ~~d~~Defaulter, the amount of its ForexClear Contribution shall be calculated in accordance with and subject to Rule ~~F2~~F2. The provisions of Rule ~~F1~~F1, Rule ~~F2~~F2, this Rule ~~F3~~F3 and Rule ~~F5~~F5 do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case; ~~and~~
- (e) notwithstanding Rule 25 of the Default Rules, if an FXCCM notifies the Clearing House on the ForexClear Default Management Process Completion Date that it wishes to resign from the ForexClear Service, such FXCCM, assuming all other requirements for termination of membership have been satisfied by the next following ForexClear Determination Date, shall cease to be an FXCCM for the purpose of Rule F2 on and from the date upon which its

ForexClear Contribution is repaid to it by the Clearing House and such payment will be made by the Clearing House following the subsequent ForexClear Determination Date in accordance with the Procedures.

F4. Without prejudice to any other requirements which the Clearing House may impose, the amount of the ForexClear Contribution of a New Member shall be the sum of (a) the Minimum ForexClear Contribution and (b) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

F5. Upon determination of the amount of a ForexClear Contribution in accordance with Rule ~~F2~~F2:

(a) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date exceeds the amount of the FXCCM's ForexClear Contribution ~~as~~ determined under Rule ~~F2~~F2 as at close of business on that day, the excess shall be paid by the Clearing House to such FXCCM in USD in accordance with the Procedures;

(b) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date is the same as the amount of the FXCCM's ForexClear Contribution as so determined under Rule ~~F2~~F2 as at close of business on that day, no sum shall then be payable by or to such FXCCM in respect of its Contribution; and

(c) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date is less than the amount of the FXCCM's ForexClear Contribution as so determined under Rule ~~F2~~F2 as at close of business on that day, the shortfall shall be paid by such FXCCM to the Clearing House in USD in accordance with the Procedures.

The provisions of this Rule do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case.

F6. On any day, interest shall accrue on the amount of each ForexClear Contribution ~~then~~ held by the Clearing House, to the extent that it has not been applied under Rule ~~26~~19 or Rule ~~28~~21 of the Default Rules, at such rate and in such manner as provided by the Procedures, **provided that** the rate of interest for any particular day shall not be less than the Fed Funds Rate published on that day (or, in relation to any day for which the Fed Funds Rate is not available, the Fed Funds Rate most recently published before such day). Interest shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. In these Default ~~Fund~~-Rules, any interest which has accrued under this Rule shall not be regarded as being part of the ForexClear Contribution.

F7.

- (a) After a Default, unless and until the Clearing House has repaid a Defaulter's ForexClear Contribution (or the remaining part thereof, as applicable), the ForexClear Fund Amount shall be treated as having been reduced by the amount of the Defaulter's ForexClear Contribution (if any), regardless of whether the Clearing House has applied part or all of that ForexClear Contribution under Rule 28 of the Default Rules.
- (b) Where, after a Default, the Clearing House has applied part or all of ~~the~~ ForexClear ~~Contribution~~Contributions of the Non-Defaulting FXCCMs under Rule ~~26 or Rule 28~~21 of the Default Rules, the ForexClear Fund Amount shall be reduced forthwith by the deduction of (i) the amount of the Defaulter's ForexClear Contribution (if any) in accordance with paragraph (a) of this Rule F7; and (ii) the aggregate amount of the ForexClear Contributions or parts of ForexClear Contributions of the Non-Defaulting FXCCMs so applied, and the amount of the ForexClear Contribution that each Non-Defaulting FXCCM must maintain with the Clearing House shall be reduced by the amount of its ForexClear Contribution which has been ~~so applied pursuant, subject to Rule 28, in~~(where applicable) the requirement under paragraph (c) of this Rule S7.
- (c) Following the completion of a ForexClear Default Management Process, the Clearing House will deliver a notice to the FXCCMs confirming that the relevant ForexClear Default Management Process Completion Date has occurred. If, following the issuance of such notice, the value of the ForexClear Fund Amount determined in accordance with paragraph (b) of this Rule F7 is less than the ForexClear Fund Floor, the Clearing House may notify each ~~ease~~ ~~until the next~~Non-Defaulting FXCCM that it is required to make a Supplementary Contribution, based on the proportion that the value of its ForexClear Contribution as at the last ForexClear Determination Date: ~~Unless and until prior to the Clearing House has repaid a defaulter's date when the relevant Default occurred bears to the value of the aggregate~~ ForexClear Contribution (or remaining part thereof,Contributions of all Non-Defaulting FXCCMs as applicable),at such date, so as to reinstate the ForexClear Fund Amount ~~shall be treated as having been reduced by the amount of the defaulter's~~to a value which is no less than the ForexClear Contribution (if any), ~~regardless of whether the Clearing House has applied part or all of that ForexClear Contribution under Rule 26~~Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.

F8. Where, after a Default, the Clearing House determines that (i) by reason of a reduction in accordance with Rule ~~F7,F7~~, the value of the ForexClear Fund Amount has been reduced by at least 25%~~; per cent.~~; or (ii) by the time of the ForexClear Default Management Process Completion Date in relation to the relevant Default, the value of the ForexClear Fund Amount will be reduced by at least 25%~~, per cent.~~, the Clearing House may, by notice in writing (the "**ForexClear Unfunded Contribution Notice**"), require each Non-Defaulting FXCCM to deposit and maintain an amount (each a "**ForexClear Unfunded Contribution**") in accordance with the following provisions:

- (a) ForexClear Unfunded Contributions will only be payable in circumstances where the relevant ForexClear Unfunded Contribution Notice is delivered by

the Clearing House to FXCCMs prior to the ForexClear Default Management Process Completion Date in relation to the relevant Default;

- (b) the value of the ForexClear Unfunded Contribution payable by each individual FXCCM shall be the product of (i) the percentage by which the value of the ForexClear Fund Amount has been reduced and (ii) the value of the ForexClear Contribution of such FXCCM as determined by the Clearing House at the last ForexClear Determination Date prior to the date when the relevant Default occurred;
- (c) the Clearing House may, by the delivery of one or more further ForexClear Unfunded Contribution Notices, require each Non-Defaulting FXCCM to pay one or more further ForexClear Unfunded Contributions in respect of the same Default, **provided that** the total value of the ForexClear Unfunded Contributions payable by an individual FXCCM in respect of a particular Default (determined in accordance with paragraph ~~(b)~~(b) above) may not exceed the value of the ForexClear Contribution of such FXCCM as at the last ForexClear Determination Date prior to the date when the relevant Default occurred; and
- (d) following a Default in respect of which ForexClear Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further ForexClear Unfunded Contributions in respect of subsequent Defaults (which, for the avoidance of doubt, can never be a First Default), **provided that** ForexClear Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first ForexClear Unfunded Contribution Notice in respect of the First Default).

FXCCMs will be required to deposit the full amount of their ForexClear Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of a ForexClear Unfunded Contribution Notice.

For the avoidance of doubt, references to "FXCCMs" for the purposes of this Rule F8 include any FXCCM (other than a Defaulting FXCCM) who is: (i) a Retiring Member but whose status as a Clearing Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the ForexClear Service is not yet effective.

#### F9. **ForexClear Loss Distribution Process**

Where, after a Default, the Clearing House determines that the ForexClear Excess Loss resulting from the Default will exceed the amounts to be applied to it under ~~Rule 16(a) to (g)~~, Rules 15(a) to 15(g) of the Default Rules, the Clearing House may implement the process (the "**ForexClear Loss Distribution Process**") described in this Rule ~~F9~~F9.

(a) For the purposes of this Rule ~~F9~~F9 and ~~for~~ Rule ~~F11~~F11, the following definitions will apply:

**"Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

**"Auction Portfolio"** has the meaning assigned to it in the ForexClear DMP Annex.

**"Available Resources"** means, in respect of any Loss Distribution Period, the amounts available to the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with ~~Rule 16(a) to (g)~~Rules 15(a) to 15(g) of the Default Rules as at the relevant Last Call Prior to Default.

**"Cash Gain"** means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of positive Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day.

**"Cash Gainer"** means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is greater than zero.

**"Cash Gainer Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(i)~~(b)(i) of this Rule ~~F9~~F9.

**"Cash Loser"** means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is equal to or less than zero.

**"Cash Loser Base Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(ii) of this Rule F9~~(b)(ii) of this Rule F9.

**"Cash Loser Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(ii)~~(b)(ii) of this Rule ~~F9~~F9.

**"Cash Payment"** means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) in respect of a Cash Payment Type in a Cash Payment Currency on such business day.

**"Cash Payment Currency"** means each of the currencies in which payments made between the Clearing House and an FXCCM may be denominated.



"**Cash Payment Type**" means each of the Price Alignment Interest (as defined in the ForexClear Procedures), consideration (fee) payments and cash Collateral in respect of [a Clearing Member's](#) variation margin obligations ~~transferrable~~-[payable](#) in respect of a Margin Account of a Non-Defaulting FXCCM.

"**Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows**" means in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"**Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any business day, the aggregate amount, if any, paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) in respect of Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment from but excluding the relevant Last Call Prior to Default to and including such business day.

"**Cumulative LCH Transfer Cost**" means, on any business day during any Loss Distribution Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

"**Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows**" means, in respect of each Margin Account of each Non-Defaulting FXCCM and any business day, the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

"**Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment for such Cash Payment for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

"**Distribution Haircut**" or "**DH**" means, on each Loss Distribution Day, the fraction determined by the Clearing House in accordance with the following formula:

$$\text{DH}(+) = \frac{\text{DH}(t) = \text{LUL}(t) / \text{TCG}(t)}{\text{TCG}(t)}$$

[where:](#)

["\*\*LUL\*\*\(+/-\)" means the LCH Uncovered Loss; and](#)

["\*\*TCG\*\*\(+\)" means the Total Cash Gains.](#)

~~where:~~

~~"LUL" means the LCH Uncovered Loss; and~~

~~"TCG" means the Total Cash Gains.~~

"**FXCCM Adjustment Amount**" means in respect of the Margin Account(s) of any Non-Defaulting FXCCM and any Loss Distribution Day, an amount equal to the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Margin Account(s) of such FXCCM less the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

"**Last Call Prior to Default**" means the most recent business day on which ~~the margin obligations~~ transfers of the Collateral required to be made by FXCCMs to the Clearing House were ~~discharged~~ made in full.

"**LCH Transfer Cost**" means the cost (converted, where applicable, into USD at a rate of exchange determined by the Clearing House in its sole discretion) to the Clearing House of transferring the rights and obligations arising out of the Auction Portfolios of a Defaulting FXCCM to those FXCCMs who have successfully bid for such Auction Portfolios in Auctions.

"**LCH Uncovered Loss**" means, in respect of the Clearing House on any business day in any Loss Distribution Period, the amount calculated in accordance with the following formula:

$$\text{LCH Uncovered Loss}(t) = \text{Max}(0, (\text{TCPH}(t) + \text{CLC}(t) - \text{TAR}))$$

$$\text{LCH Uncovered Loss}(t) = \text{Max}(0, (\text{TCPH}(t) + \text{CLC}(t) - \text{TAR}))$$

where:

"**TCPH**" means the Total Cumulative Pre Haircut Base Currency Gains losses and Realised Cash Flows;

"**CLC**" means the Cumulative LCH Transfer Cost;

"**TAR**" means the Total Available Resources; and

the LCH Uncovered Loss as at the Last Call Prior to Default shall be zero.

"**Loss Distribution Cap Amount**" means, in respect of each Non-Defaulting FXCCM and any Loss Distribution Period, an amount equal to the higher of (i) USD 100,000,000; (ii) the product of (a) 100 per cent. and (b) the ForexClear Contribution of such Non-Defaulting FXCCM as at the last ForexClear Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period; and (iii) any adjusted cap as may be agreed pursuant to paragraph ~~(d)~~ (d) of this Rule ~~F9.F9~~.



"**Loss Distribution Day**" means any business day in a Loss Distribution Period on which the Clearing House, in consultation with the ForexClear DMG, prior to calling for: ~~(i) Collateral in respect of margin obligations in accordance with the provisions of the Procedures; and (ii) Required Collateral,~~ on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"**Loss Distribution Period**" means the period from, but excluding, the day on which a Default occurs with respect to an FXCCM to (but excluding) the earlier of: (i) the business day on which (a) the rights and obligations arising out of the Auction Portfolios of the Defaulting FXCCM are transferred to those FXCCMs which have successfully bid for such Auction Portfolios in Auctions, or, if any Default occurs with respect to any other FXCCM prior to the end of a Loss Distribution Period, the rights and obligations arising out of the Auction Portfolios of any subsequent Defaulting FXCCM are transferred to those FXCCMs who have successfully bid for such Auction Portfolios in Auctions and (b) all payments required to be made by such FXCCMs and/or the Clearing House in respect of such Auction(s) have been made in full; or (ii) any Loss Distribution Day in respect of which the Clearing House determines that the FXCCM Adjustment Amount for any FXCCM would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day.

"**Margin Account**" means each Proprietary Account, Individual Segregated Account, Omnibus Segregated Account and ~~each~~-FCM Client ~~Segregated~~-Sub-Account related to the ForexClear Service of an FXCCM.

"**Payment Currency Adjustment to Cash Payment**" means one or more Cash Gainer Payment Currency Adjustment to Cash Payment(s) and/or one or more Cash Loser Payment Currency Adjustment to Cash Payment(s).

"**Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment**" means, in respect of each Cash Payment and any business day, the amount (converted, where applicable, into USD at the Rate of Exchange) which would be paid by the Clearing House to a Non-Defaulting FXCCM (expressed as a positive number) or by such FXCCM to the Clearing House (expressed as a negative number) on such business day in the absence of the application of the Distribution Haircut.

"**Rate of Exchange**" means, for any day, the applicable rate of exchange for converting one currency into another as determined by the Clearing House by reference to Reuters;

"**t**" means, in respect of any determination made in relation to a business day, such business day.

~~"t-1" means, in respect of any determination made in relation to a business day, the business day immediately prior to such business day.~~

"t-1" means, in respect of any determination made in relation to a business day, the business day immediately prior to such business day.

**"Total Available Resources<sup>2</sup>"** means, on any business day during a Loss Distribution Period the sum of (i) the Available Resources and (ii) any Unfunded Contributions deposited with the Clearing House since the relevant Last Call Prior to Default.

**"Total Cash Gains"** means, in respect of any business day, the sum of the Cash Gain in respect of all Cash Gainers on such business day.

**"Total Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows"** means, in respect of any business day the sum of all Total Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments.

**"Total Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment"** means, in respect of any business day, the sum of the Total Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment for each business day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Total Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment"** means, in respect of any business day, the sum of the Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment in respect of all Margin Accounts of all Non-Defaulting SCMs on such business day.

**"Underlying Cash Payment"** means, in respect of a Cash Gainer Base Currency Adjustment to Cash Payment or a Cash Loser Base Currency Adjustment to Cash Payment, the Cash Payment in respect of which such Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment is calculated.

(b) **Adjustment of Underlying Cash Payments**(i) **Cash Gainer**

On each Loss Distribution Day for each Margin Account of each Non-Defaulting FXCCM which is deemed to be a Cash Gainer, the relevant FXCCM shall be required to pay the Clearing House an amount equal to each positive amount determined as follows or, as applicable, the Clearing House shall be required to pay the relevant FXCCM the absolute value of each negative amount determined as follows (in each case, such amount the "**Cash Gainer Payment Currency Adjustment to Cash Payment**"): ~~The~~the Cash Gainer Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Gainer Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated:

where:

$$\text{Cash Gainer Base Currency Adjustment to Cash Payment (t)} = \text{PHG(t)} - (\text{CHG(t)} * \text{Max}(0, 1 - \text{DH(t)})) - \text{CAG(t-1)}$$

$$\text{Cash Gainer Base Currency Adjustment to Cash Payment (t)} = \frac{\text{PHG(t)} - (\text{CHG(t)} * \text{Max}(0, 1 - \text{DH(t)}) - \text{CAG(t-1)})}{1}$$

"**PHG**" means the Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**CHG**" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**DH**" means the Distribution Haircut; and

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call Prior to Default shall be zero.

(ii) *Cash Loser*

On each Loss Distribution Day for each Margin Account of each Non-Defaulting FXCCM which is deemed to be a Cash Loser, the Clearing House shall be required to pay the absolute value of each amount (the "**Cash Loser Payment Currency Adjustment to Cash Payment**") determined as follows: ~~The~~ the Cash Loser Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Loser Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated:

where

$$\text{Cash Loser Base Currency Adjustment to Cash Payment}(t) = \text{PHG}(t) - (\text{CHG}(t) - \text{CAG}(t-1))$$

$$\begin{aligned} &\text{Cash Loser Base Currency Adjustment to Cash Payment}(t) \\ &= \text{PHG}(t) - (\text{CHG}(t) - \text{CAG}(t-1)) \end{aligned}$$

"**PHG**" Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**CHG**" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment; and

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call Prior to Default shall be zero.

(iii) *Application of Payment Currency Adjustment to Cash Payment*

On each Loss Distribution Day, the Clearing House shall apply the payment or receipt of any Payment Currency Adjustment to Cash Payment as an offset against any payments denominated in the same Cash Payment Currency as the relevant Payment Currency Adjustment to Cash Payment due from or receivable by the relevant FXCCM.

(c) *Application of Cash Gainer Payment Currency Adjustment to Cash Payment*

The Clearing House shall apply all payments it receives in respect of Cash Gainer Payment Currency Adjustment to Cash Payments solely for the purposes of meeting any loss incurred by the Clearing House following, and in relation to, each Default, as contemplated in accordance with ~~Rule 16(a)~~ Rules 15(a) to (g) ~~15(g) of the Default Rules.~~

(d) *Adjustment to Loss Distribution Cap Amount*

If, during a Loss Distribution Period, the Clearing House considers that the Cash Gainer Payment Currency Adjustment to Cash Payments applied to a

particular Margin Account of an FXCCM are, or are about to be equal to or greater than the Loss Distribution Cap Amount, the Clearing House may propose an adjustment to such Loss Distribution Cap Amount. If agreed by all Non-Defaulting FXCCMs, the Loss Distribution Cap Amount as adjusted pursuant to this paragraph ~~(d)~~(d) shall be applicable for the remainder of the relevant Loss Distribution Period.

(e) ***No Rebate***

The payment to the Clearing House by any FXCCM of any Cash Gainer Payment Currency Adjustment to Cash Payment shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

(f) ***Application of any Recoveries***

If the ForexClear Loss Distribution Process has been invoked by the Clearing House in accordance with this Rule ~~F9, F9~~, the Clearing House shall reimburse the FXCCMs (irrespective of whether they remain FXCCMs at the time of the recovery) and the Clearing House on a *pro rata* basis by reference to the resources which have been applied pursuant to ~~Rule 16(a) to (g)~~Rules 15(a) to 15(g) of the Default Rules and including the net amount of any one or more FXCCM Adjustment Amounts paid by the relevant FXCCMs for:

(i) any amounts received from the Defaulting FXCCM as a result of the Clearing House being a creditor of the Defaulting FXCCM in respect of the ForexClear Business of such Defaulting FXCCM in the context of the occurrence of any of the events under ~~Rule 5(i)~~Rules 5(i) to (p)5(p) of the Default Rules in respect of the Defaulting FXCCM or otherwise, other than in respect of sums due to the Clearing House for its own account; or

(ii) any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the ForexClear Default Management Process or which are otherwise referable to the Defaulting FXCCM,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting FXCCM in connection with the ForexClear Service. For the avoidance of doubt, nothing in this paragraph ~~(f)~~(f) shall oblige the Clearing House to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of the Clearing House has also been applied as a result of the FXCCM's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

F10. Where, after the Default of one or more FXCCMs, the Clearing House determines that, notwithstanding the availability of any resources remaining under ~~Rule 16(a)~~Rules 15(a) to (g)15(g) of the Default Rules and the availability of the ForexClear Loss Distribution Process in accordance with the terms of Rule ~~F9, F9~~, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those ForexClear Contracts to which it is party with

Non-Defaulting FXCCMs, the Clearing House will by notice in writing (a “ForexClear Voluntary Payment Notice”): (i) inform all Non-Defaulting FXCCMs that it has insufficient resources and that it is likely to invoke Rule ~~F11~~F11; and (ii) invite each Non-Defaulting FXCCM to make a payment of funds (a “ForexClear Voluntary Payment”), in accordance with Rule ~~16(g)~~15(g) of the Default Rules, to make up for the relevant shortfall.

ForexClear Voluntary Payments will be made on the following terms:

- (a) no FXCCM shall be obliged to make a ForexClear Voluntary Payment;
- (b) any ForexClear Voluntary Payment will be made by an FXCCM by the close of business on the business day after receipt of the relevant ForexClear Voluntary Payment Notice;
- (c) no ForexClear Voluntary Payment may be withdrawn once made; and
- (d) the Clearing House shall have full discretion whether or not to accept a particular ForexClear Voluntary Payment.

Any failure by the Clearing House to deliver a ForexClear Voluntary Payment Notice pursuant to this Rule ~~F10~~F10 will not invalidate any action taken by the Clearing House pursuant to Rule ~~F11~~F11 nor give rise to any liability whatsoever on the part of the Clearing House.

Any ForexClear Voluntary Payments remaining unused at the time of the expiry of the relevant ForexClear Default Period will be accounted for rateably by the Clearing House as if they were amounts paid in respect of the ForexClear Contributions by those FXCCMs from whom ForexClear Voluntary Payments were accepted.

F11. Where, following the process for inviting ForexClear Voluntary Payments in accordance with Rule ~~F10~~F10, the Clearing House makes a determination (an “Insufficient Resources Determination”) that it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those ForexClear Contracts to which it is party with Non-Defaulting FXCCMs, the following provisions shall have effect:

- (a) All outstanding ForexClear Contracts shall be closed out as of the clearing day following the date the Insufficient Resources Determination was made and any further obligations to make any payments under or in respect of such ForexClear Contracts shall cease. The closing prices used shall be mid prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding ForexClear Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin requirement for the position to be closed out.
- (b) On the basis of the close out values established for each outstanding ForexClear Contract, an account shall be taken (as at the time of close out) of what is due in respect of each FXCCM, from that FXCCM to the Clearing House and from the Clearing House to that FXCCM, as well as all other



amounts owing under or in respect of ForexClear Contracts and any other amounts that may be due in respect of the ForexClear Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the FXCCM shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. For the avoidance of doubt, amounts in respect of ForexClear Contracts shall include, but shall not be limited to, returns of cash Collateral ~~held by the Clearing House~~provided in respect of ~~the FXCCM's~~ variation margin ~~obligations~~associated therewith and the repayment of any Net Cash Gainer Payment Currency Adjustment to Cash Payments made in the ForexClear Default Period to which the Insufficient Resources Determination relates (and in respect of which ~~F9(e)~~paragraph 5(e) of Rule F9 shall be specifically disappplied), but shall exclude the repayment of any cash Collateral ~~held by~~provided to the Clearing House in respect of ~~the FXCCM's~~ initial margin ~~obligations~~ or any outstanding ForexClear Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by FXCCMs plus all of those other resources applicable to the ForexClear ~~Clearing Service under Rule 16(a) to (g)~~Business under Rules 15(a) to 15(g) of the Default Rules that have not been applied towards a ForexClear Excess Loss is less than the aggregate of the amounts owed to FXCCMs by the Clearing House, each amount owed to FXCCMs by the Clearing House shall be reduced *pro rata* the shortfall.

(c) The Clearing House shall determine any amounts due to each FXCCM in respect of the repayment of cash Collateral ~~held by the Clearing House~~provided in respect of ~~the~~ initial margin obligations ~~of the FXCCM~~ and outstanding ForexClear Contributions to be repaid. The claim of each such FXCCM in respect ~~of~~to the foregoing shall be reduced in proportion to an amount by which (i) the value of the assets available to the Clearing House to meet the return obligations referred to in ~~(ii)~~(b) above bears to (ii) the value of what would be due from the Clearing House to ~~the each~~ Clearing Members in aggregate in respect of the return of cash Collateral ~~held by the~~received from each such Clearing ~~House~~Member in respect of ~~the Clearing Members' its~~ initial margin obligations and ~~in respect of~~ outstanding Contributions.

(d) For each FXCCM, the amount due to it or due from it as determined pursuant to ~~(b)~~(b) above shall be aggregated with its claim determined pursuant to ~~(e)~~(c) above and only the net sum shall be payable. Where the result of such calculations is that an FXCCM owes an amount to the Clearing House, that FXCCM shall pay that amount to the Clearing House immediately. Where the result of such calculations is that an FXCCM is owed an amount by the Clearing House, the Clearing House shall pay that amount to the FXCCM immediately, subject to ~~(f)~~(f) below.

(e) The payment of such amount to an FXCCM, pursuant to ~~(d)~~(d) above subject to any re-calculations performed pursuant to ~~(f) below,~~(f) shall constitute the full and final payment in respect of the ForexClear Service and such FXCCM shall not be permitted to make any further claims on the Clearing House in respect of amounts relating to the ForexClear Service, nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation

~~39A.45 (Netting)~~ for a failure to pay any amounts in relation to the ForexClear Service.

- ~~(f)~~ (f) The Clearing House may make the payments due under ~~(d)(c)~~ above in one or more instalments to the FXCCMs in proportion to the value of their claims on the Clearing House under ~~(b)(b)~~ above if some but not all of the amounts due under ~~(d) or Rule 16(a) to 16(g)(c)~~ above or Rules 15(a) to 15(g) of the Default Rules have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to FXCCMs in accordance with this Rule ~~F11-F11~~.
- ~~(g)~~ (g) This Rule ~~F11-F11~~ shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation ~~39A.45 (Netting)~~.
- ~~(h)~~ (h) Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral transferred to ~~it~~ the Clearing House by a FXCCM in respect of its initial margin obligations pursuant to the Regulations and Procedures.

### ~~Ballot Arrangements~~

~~Notwithstanding anything to the contrary in clauses 9.4 and 9.5 of the Clearing Membership Agreement, no proposal for any of the amendments set out in paragraphs (i), (ii) and (iii) below (each a “ForexClear Amendment”) shall be capable of coming into effect unless first approved in a ballot of FXCCMs:~~

~~any amendment to the value of the ForexClear Fund Floor as provided for in paragraph (c) of Rule F2 or as subsequently approved in a ballot under this Rule F12;~~

~~any amendment providing for a change in the nature of the liabilities for which an FXCCM’s indemnity is given by virtue of paragraph (b) of Rule 28; and~~

~~any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the FXCCMs but not in the commitments of any other Clearing Members;~~

~~For the purposes of a ballot conducted pursuant to this Rule F12, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:~~

~~the words “major amendment to the Default Fund Rules” in the first line of clause 9.4 of the Clearing Membership Agreement shall be replaced with the words “ForexClear Amendment”;~~



~~all references to "Clearing Members" shall be replaced with references to "FXCCMs";~~

~~in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Contributions" shall be replaced with a reference to "ForexClear Contributions" and the reference to "Quarter Day" shall be replaced with a reference to "ForexClear Determination Date";~~

~~references to "Fund Amount" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "ForexClear Fund Amount";~~

~~the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be replaced with a reference to "Rule F12 of the ForexClear Default Fund Supplement to the Default Fund Rules"; and~~

~~the references to "Contribution" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "ForexClear Contribution".~~

~~Only General Clearing Members shall be entitled to vote in a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement in relation to an amendment which affects exclusively any one or combination of: (i) the EquityClear Fund Amount; (ii) the Exchange Fund Amount; (iii) the nature of the liabilities for which a General Clearing Member's indemnity is given by virtue of paragraph (b) of Rule 28; or (iv) any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the General Clearing Members but not in the commitments of any other Clearing Members. As a result, for the purposes of a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement other than a Cross Service Ballot, references to "Clearing Members" shall not include FXCCMs who are not also General Clearing Members and ForexClear Contributions shall not count as "Contributions".~~

~~For the purposes of this paragraph (c) of this Rule F12, a "Cross Service Ballot" shall mean: (i) a ballot in relation to an amendment which represents a significant change in the commitments of all of the Clearing Members of the Clearing House or of a significant section of such Clearing Members of the Clearing House who are so categorised together, irrespective of and independently from, the Services which they clear; and, as such (ii) a ballot which falls within paragraph (c) of clause 9.5 of the Clearing Membership Agreement (because, in the opinion of the Board of Directors of the Clearing House, it is an amendment which "would represent a significant change in the commitments of... a significant section of the Clearing Members") but does not fall within paragraph (a)(iii) of this Rule F12, paragraph (a)(iii) of Rule S12 and/or paragraph (a)(ii) of Rule R12 (because the relevant section of the Clearing Members is not restricted to Clearing Members acting in the capacity of Clearing Members in ForexClear, SwapClear and/or RepoClear).~~

**~~SwapClear Default Fund Supplement~~**

**SCHEDULE 6**  
**SWAPCLEAR DEFAULT FUND SUPPLEMENT**

- S1.** S1. On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 60 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to SwapClear Business (for a given scenario).
- S2.** S2. Each SCM's SwapClear Contribution (other than ~~a~~any SwapClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House at the close of business on the first business day of each month, and otherwise in accordance with paragraph ~~(p)~~(p) below (each a "**SwapClear Determination Date**"). In addition, the amount payable in respect of the SwapClear Contribution of an SCM which is a New Member will be determined on the date that the relevant New Member joins the SwapClear Service. Notwithstanding the foregoing, following a Default, any determinations on a SwapClear Determination Date and any such SwapClear Determination Date which might otherwise have occurred under this Rule ~~S2~~S2 shall be suspended for the duration of the period (the "**SwapClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:
- (i) the date which is the close of business on the day falling 30 calendar days after the SwapClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and
- (ii) where, prior to the end of the period referred to in ~~(i)~~sub-paragraph (i) above (or such period as has already been extended pursuant to this sub-paragraph ~~(ii)~~(ii)) one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the SwapClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);
- (b) the "**SwapClear Segregated Fund Amount**" shall be denominated in pounds sterling, and, for a given SwapClear Determination Date, shall be the largest of the 60 Combined Loss Values determined under Rule ~~S1~~S1 plus 10% ~~per cent.~~ The SwapClear Segregated Fund Amount shall not be less than £1 billion pounds (the "**SwapClear Fund Floor**") and shall not be more than £5 billion pounds (the "**SwapClear Fund Cap**");
- (c) the "**SwapClear Tolerance Amount**" shall be the value of that portion of the SwapClear Segregated Fund Amount which relates to those SwapClear default fund resources which have been determined by the Clearing House as being required in relation to SwapClear Tolerance;

- (d) the "**SwapClear Tolerance Weight**" of an SCM (other than an SCM which is a New Member) shall be calculated by dividing (i) the average SwapClear Tolerance Utilisation of the relevant SCM during the 20 business day period preceding the relevant SwapClear Determination Date in respect of all SwapClear Contracts to which such SCM is a party, which average shall be calculated by adding together the peak SwapClear Tolerance Utilisation of such SCM for each relevant business day and then dividing such sum by 20, provided that: ~~(x)~~ for SCMs where the peak SwapClear Tolerance Utilisation does not yet exist or is otherwise unavailable in respect of a business day; the Clearing House shall estimate the relevant peak SwapClear Tolerance Utilisation by reference to the actual or expected level of clearing activity of the relevant SCM in relation to SwapClear Contracts; by (ii) the total of such average SwapClear Tolerance Utilisations of all Non-Defaulting SCMs other than SCMs which are New Members;
- (e) the value of the "**SwapClear Tolerance Contribution Amount**" of: (x) an SCM (other than an SCM which is a New Member) shall be calculated by multiplying the SwapClear Tolerance Amount by the SCM's SwapClear Tolerance Weight, provided that (i) where that calculation results in a value which is less than or equal to £3 million pounds, or in the case of a New Member, the value of the relevant SCM's SwapClear Tolerance Contribution Amount shall be £3 million pounds; and (ii) where that calculation results in a value which is greater than or equal to £30 million pounds, the value of the relevant SCM's SwapClear Tolerance Contribution Amount shall be £30 million pounds; and (y) a New Member shall be £3 million pounds PROVIDED FURTHER that where, as a result of the adjustments in individual SCM SwapClear Tolerance Contribution Amounts as described in this paragraph, the aggregate of the SwapClear Tolerance Contribution Amounts is greater or less than the SwapClear Tolerance Amount the Clearing House will adjust SCMs individual SwapClear Tolerance Contribution Amounts such that the aggregate of the SwapClear Tolerance Contributions equals the SwapClear Tolerance Amount;
- (f) the "**SwapClear Non-Tolerance Amount**" shall be the value of that portion of the SwapClear Segregated Fund Amount which relates to SwapClear default fund resources other than those which have been determined by the Clearing House as being required in relation to SwapClear Tolerance;
- (g) the "**SwapClear Non-Tolerance Weight**" of an SCM (other than an SCM which is a New Member) shall be calculated by dividing (i) the average daily [requirement for](#) initial margin ~~requirement~~ (as calculated under the Procedures or other arrangements applicable) which has applied to the SCM during the 20 business day period preceding the relevant SwapClear Determination Date in respect of all SwapClear Contracts to which such SCM is a party by (ii) the total of such average daily requirements applied to all Non-Defaulting SCMs other than SCMs which are New Members;
- (h) the ~~"SwapClear Non-Tolerance Contribution Amount"~~ of an SCM other than an SCM which is a New Member shall be calculated by multiplying that SCM's SwapClear Non-Tolerance Weight by the SwapClear Non-Tolerance Amount;

- (i) the "**SwapClear Contribution**" of: (x) an SCM (other than an SCM which is a New Member) shall be the sum of (i) that SCM's SwapClear Non-Tolerance Contribution Amount adjusted, where applicable, in accordance with paragraph ~~(j)~~ ~~or~~ ~~(o)~~ (j) or (o) below; and (ii) that SCM's Tolerance Contribution Amount; and (y) an SCM which is a New Member shall be calculated in accordance with S4-;
- (j) if an SCM's SwapClear Non-Tolerance Contribution Amount (calculated in accordance with paragraph ~~(h)~~ (h) above) is below the Minimum Non-Tolerance SwapClear Contribution for the time being, the SCM's SwapClear Non-Tolerance Contribution Amount shall be adjusted so as to equal the Minimum Non-Tolerance SwapClear Contribution-; **Provided that** where, as a result of the adjustments in individual SCM SwapClear Non-Tolerance Contributions Amounts as described in this paragraph, the aggregate of the SwapClear Non-Tolerance Contribution Amounts is greater than the SwapClear Non-Tolerance Amount, the Clearing House will adjust individual SwapClear Non-Tolerance Contribution Amounts such that the aggregate of the SwapClear Non-Tolerance Contributions equals the SwapClear Non-Tolerance Amount;
- (k) the "**SwapClear Actual Total**" shall be calculated by adding together (i) the amount which is the product of the Minimum Non-Tolerance SwapClear Contribution and the number of Minimum SwapClear Contribution Members; and (ii) the aggregate SwapClear Non-Tolerance Contribution Amounts (calculated in accordance with paragraph ~~(h)~~ (h) above) of those SCMs which are not Minimum SwapClear Contribution Members; (iii) the aggregate SwapClear Tolerance Contribution Amounts of all SCMs other than SCMs which are New Members; and (iv) the aggregate SwapClear Contributions of all SCMs which are New Members;
- (l) where the SwapClear Actual Total is greater than the SwapClear Fund Cap, the "**SwapClear Excess**" shall be the arithmetical difference between the SwapClear Actual Total and the SwapClear Fund Cap;
- (m) where the SwapClear Actual Total is less than the SwapClear Fund Floor, the "**SwapClear Shortfall**" shall be the arithmetical difference between the SwapClear Fund Floor and the SwapClear Actual Total;
- (n) for each SCM other than a Minimum SwapClear Contribution Member or a New Member: (i) the SCM's "**SwapClear Discount**" (if any) shall be such SCM's *pro rata* share of the SwapClear Excess calculated as the proportion of such SCM's SwapClear Non-Tolerance Contribution Amount relative to the aggregate SwapClear Non-Tolerance Contribution Amounts of all SCMs other than Minimum SwapClear Contribution Members and New Members; and (ii) the SCM's "**SwapClear Increase**" (if any) shall be such SCM's *pro rata* share of the SwapClear Shortfall calculated as the proportion of such SCM's SwapClear Non-Tolerance Contribution Amount relative to the aggregate SwapClear Non-Tolerance Contribution Amounts of all SCMs other than Minimum SwapClear Contribution Members and New Members;

- (o) for each SCM other than a Minimum SwapClear Contribution Member or a New Member, the SCM's SwapClear Non-Tolerance Contribution Amount shall be adjusted by (i) the subtraction of any SwapClear Discount applicable to the SCM; or (ii) plus the addition of any SwapClear Increase applicable to the SCM; **provided that** if the application of any SwapClear Discount would result in a SwapClear Non-Tolerance Contribution Amount of an SCM that is less than the Minimum Non-Tolerance SwapClear Contribution, such SCM shall pay the Minimum Non-Tolerance SwapClear Contribution in respect of the SwapClear Non-Tolerance Contribution Amount applicable to it, notwithstanding that the arithmetical sum of SwapClear Contributions paid by all SCMs may thereby exceed the SwapClear Fund Cap; and
- (p) the Clearing House may recalculate the SwapClear Segregated Fund Amount and the SwapClear Contributions due from each SCM on any business day if the largest of the 60 Combined Loss Values determined under Rule ~~S1S1~~ on that day differs by more than 25% per cent. from the Combined Loss Value on which the previous SwapClear Contribution determination was based and, on such business day, the Clearing House shall be entitled to require those SCMs whose portfolios have caused the increase in the Combined Loss Value to pay an additional amount in respect of their SwapClear Contributions.

~~S3.~~ S3. For the purposes of the calculations under Rule ~~S2S2~~:

- (a) references to "SwapClear Clearing Members" or to "SCMs" do not include references to Defaulting SCMs (apart from any Defaulting SCM in respect of which the Clearing House permits the application of Rule ~~S2S2~~) or persons which were formerly SCMs but are not SCMs at the SwapClear Determination Date at which the relevant determination is made;
- (b) ~~C~~ contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds, notwithstanding that the arithmetical sum of SwapClear Contributions paid by all SCMs may thereby exceed the SwapClear Fund Cap; ~~and~~
- (c) no account shall be taken, in calculating ~~the~~ initial margin ~~requirement~~ or SwapClear Non-Tolerance Weight under Rule ~~S2S2~~ of any offsets applied in ~~the~~ calculating initial margin ~~required for obligations imposed on an SCM in respect of~~ SwapClear Contracts ~~from an SCM~~, which may otherwise be permissible under the Procedures or other arrangements applicable;
- (d) **P**rovided that the SCM is not a ~~d~~ Defaulter, the amount of its SwapClear Contribution shall be calculated in accordance with and subject to Rule ~~S2S2~~. The provisions of Rule ~~S2S2~~ and this Rule do not apply to a Defaulting SCM, unless the Clearing House so permits in any particular case; and
- (e) notwithstanding Rule 25 of the Default Rules, if an SCM notifies the Clearing House on the SwapClear Default Management Process Completion Date that it wishes to resign from the SwapClear Service, such SCM, assuming all other requirements for termination of membership have been satisfied by the next following SwapClear Determination Date, shall cease to be an SCM for the purpose of Rule S2 on and from the date upon which its SwapClear



Contribution is repaid to it by the Clearing House and such payment will be made by the Clearing House following the subsequent SwapClear Determination Date in accordance with the Procedures.

~~S4.~~ S4. Without prejudice to any other requirements which the Clearing House may impose, the amount of the SwapClear Contribution of a New Member shall be the sum of (a) the Minimum Non-Tolerance SwapClear Contribution; (b) the SwapClear Tolerance Contribution Amount; ~~and~~ (c) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

~~S5.~~ S5. Upon determination of the amount of a SwapClear Contribution in accordance with Rule ~~S2:~~S2:

(a) if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date exceeds the amount of the SCM's SwapClear Contribution as determined under Rule S2 as at close of business on that day, the excess shall be paid by the Clearing House to such SCM in accordance with the Procedures;

~~(a)~~(b) if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date ~~exceeds~~is the ~~same as the~~ amount of the SCM's SwapClear Contribution as so determined ~~under Rule S2 as at close of business on that day, the excess, no sum~~ shall ~~then~~ be ~~paid~~payable by ~~the Clearing House~~or to such SCM in ~~accordance with the Procedures;~~respect of its Contribution; and

~~(b)~~(c) if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date is ~~the same as~~less than the amount of the SCM's SwapClear Contribution as so determined, ~~no sum~~the shortfall shall ~~then~~ be ~~payable~~paid by ~~or to~~ such SCM to the Clearing House in ~~respect of its Contribution; and~~accordance with the Procedures.

~~(c)~~ — if the amount of the SwapClear Contribution of an SCM immediately before close of business on the relevant SwapClear Determination Date is less than the amount of the SCM's SwapClear Contribution as so determined, the shortfall shall be paid by such SCM to the Clearing House in accordance with the Procedures.

The provisions of this Rule do not apply to a Defaulting SCM, unless the Clearing House so permits in any particular case.

~~S6.~~ S6. On any day interest shall accrue on the amount of each SwapClear Contribution ~~then~~ held by the Clearing House, to the extent that it has not been applied under ~~Rule 26~~Rules 19 or ~~Rule 28~~21 of the Default Rules, in such manner as provided by the Procedures and at a SONIA-linked rate determined, in light of market conditions at such time, by the Clearing House from time to time and notified by the Clearing House to SwapClear Clearing Members. Interest shall be payable in arrear and shall be paid on the date or dates specified by the Procedures. In these Default ~~Fund~~ Rules any interest which has accrued under this Rule shall not be regarded as

part of the SwapClear Contribution. For the avoidance of doubt, if the rate of interest payable on SwapClear Contributions is negative, interest shall be payable by SwapClear Clearing Members to the Clearing House.

S7.

- (a) After a Default, unless and until the Clearing House has repaid a Defaulter's SwapClear Contribution (or the remaining part thereof, as applicable), the SwapClear Segregated Fund Amount shall be treated as having been reduced by the amount of the Defaulter's SwapClear Contribution (if any), regardless of whether the Clearing House has applied part or all of that SwapClear Contribution under Rule 28 of the Default Rules.
- (b) Where, after a Default, the Clearing House has applied part or all of ~~the~~ SwapClear ~~Contribution~~Contributions of the Non-Defaulting SCMs under Rule ~~26 or Rule 28~~21 of the Default Rules, the SwapClear Segregated Fund Amount shall be reduced forthwith by the deduction of (i) the amount of the Defaulter's SwapClear Contribution (if any) in accordance with paragraph (a) of this Rule S7; and (ii) the aggregate amount of the SwapClear Contributions or parts of SwapClear Contributions of the Non-Defaulting SCMs so applied, and the amount of the SwapClear Contribution that each Non-Defaulting SCM must maintain with the Clearing House shall be reduced by the amount of its SwapClear Contribution which has been so applied ~~pursuant, subject to Rule 28, in~~(where applicable) the requirement under paragraph (c) of this Rule S7.
- (c) Following the completion of a SwapClear Default Management Process, the Clearing House will deliver a notice to the SCMs confirming that the relevant SwapClear Default Management Process Completion Date has occurred. If, following the issuance of such notice, the value of the SwapClear Segregated Fund Amount determined in accordance with paragraph (b) of this Rule S7 is less than the SwapClear Fund Floor, the Clearing House may notify each ~~ease~~ ~~until the next~~Non-Defaulting SCM that it is required to make a Supplementary Contribution, based on the proportion that the value of its SwapClear Contribution as at the last SwapClear Determination Date. ~~Unless and until prior to the Clearing House has repaid a defaulter's~~date when the relevant Default occurred bears to the value of the aggregate SwapClear ~~Contribution (or remaining part thereof,~~Contributions of all Non-Defaulting SCMs as applicable); at such date, so as to reinstate the SwapClear Segregated Fund Amount ~~shall be treated as having been reduced by the amount of the defaulter's~~to a value which is no less than the SwapClear Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.

~~S7. Contribution (if any), regardless of whether the Clearing House has applied part or all of that SwapClear Contribution under Rule 26.~~

- ~~S8.~~ S8. Where, after a Default, the Clearing House determines that (i) by reason of a reduction in accordance with Rule ~~S7,S7~~, the value of the SwapClear Segregated Fund Amount has been reduced by at least 25% ~~; per cent.~~; or (ii) by the time of the SwapClear Default Management Process Completion Date in relation to the relevant Default the value of the SwapClear Segregated Fund Amount will be reduced by at



least 25% ~~, per cent.~~, the Clearing House may, by notice in writing (the ~~"SwapClear Unfunded Contribution Notice"~~), require each Non-Defaulting SCM to deposit and maintain an amount (each a ~~"SwapClear Unfunded Contribution"~~) in accordance with the following provisions:

- (a) SwapClear Unfunded Contributions will only be payable in circumstances where the relevant SwapClear Unfunded Contribution Notice is delivered by the Clearing House to SCMs prior to the SwapClear Default Management Process Completion Date in relation to the relevant Default;
- (b) the value of the SwapClear Unfunded Contribution payable by each individual SCM shall be the product of (i) the percentage by which the value of the SwapClear Segregated Fund Amount has been reduced and (ii) the value of the SwapClear Contribution of such SCM as at the last SwapClear Determination Date prior to the date when the relevant Default occurred;
- (c) the Clearing House may, by the delivery of one or more further SwapClear Unfunded Contribution Notices, require each Non-Defaulting SCM to pay one or more further SwapClear Unfunded Contributions in respect of the same Default, **provided that** the total value of the SwapClear Unfunded Contributions payable by an individual SCM in respect of a particular Default (determined in accordance with paragraph ~~(b)~~(b) above) may not exceed the value of the SwapClear Contribution of such SCM as at the last SwapClear Determination Date prior to the date when the relevant Default occurred; and
- (d) following a Default in respect of which SwapClear Unfunded Contributions were paid (the ~~"First Default"~~), the Clearing House may require the payment of further SwapClear Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), **provided that** SwapClear Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first SwapClear Unfunded Contribution Notice in respect of the First Default).

SCMs will be required to deposit the full amount of their SwapClear Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of a SwapClear Unfunded Contribution Notice.

For the avoidance of doubt, references to ~~"SCMs"~~ for the purposes of this Rule ~~S8~~ include any SCM (other than a Defaulting SCM) who is: (i) a Retiring Member but whose status as a Clearing Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the SwapClear Service is not yet effective.

## ~~S9.~~ S9. SwapClear Loss Distribution Process

Where, after a Default, the Clearing House determines that the SwapClear Excess Loss resulting from the Default will exceed the amounts to be applied to it under ~~Rule 16(a) to (g)~~, Rules 15(a) to 15(g) of the Default Rules, the Clearing House may implement the process (the "SwapClear Loss Distribution Process") described in this Rule ~~S9.~~ S9.

- (a) For the purposes of this Rule ~~S9~~S9 and for Rule ~~S11~~S11, the following definitions will apply:

**"Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and any Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment.

**"Auction Portfolio"** has the meaning assigned to it in the SwapClear DMP Annex.

**"Available Resources"** means, in respect of any Loss Distribution Period, the amounts available to the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with ~~Rule 16(a)~~Rules 15(a) to ~~(g)~~15(g) of the Default Rules as at the relevant Last Call Prior to Default.

**"Cash Gain"** means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of positive Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day.

**"Cash Gainer"** means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is greater than zero.

**"Cash Gainer Base Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(i)~~(b)(i) of this Rule ~~S9~~S9.

**"Cash Gainer Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(i)~~(b)(i) of this Rule ~~S9~~S9.

**"Cash Loser"** means, in respect of any Loss Distribution Day, each Margin Account in respect of which the value of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows on such Loss Distribution Day is equal to or less than zero.

**"Cash Loser Base Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(ii)~~(b)(iii) of this Rule ~~S9~~S9.

**"Cash Loser Payment Currency Adjustment to Cash Payment"** has the meaning set out in paragraph ~~(b)(ii)~~(b)(ii) of this Rule ~~S9~~S9.

**"Cash Payment"** means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting SCM (expressed as a positive number) or by such SCM to the Clearing House (expressed as a negative number) in respect of a Cash Payment Type in a Cash Payment Currency on such business day.

**"Cash Payment Currency"** means each of the 17 currencies in which payments made between the Clearing House and an SCM may be denominated.

**"Cash Payment Type"** means each of the Price Alignment Interest, coupon payments, consideration (fee) payments and cash Collateral ~~transferable~~ in respect of [a Clearing Member's](#) variation margin obligations [payable](#) in respect of a Margin Account of a Non-Defaulting SCM.

**"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows"** means in respect of each Margin Account of each Non-Defaulting SCM and any business day, the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

**"Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the aggregate amount, if any, paid by the Clearing House to a Non-Defaulting SCM (expressed as a positive number) or by such SCM to the Clearing House (expressed as a negative number) in respect of Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Cumulative LCH Transfer Cost"** means, on any business day during any Loss Distribution Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows"** means, in respect of each Margin Account of each Non-Defaulting SCM and any business day, the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments payable on such Margin Account.

**"Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the sum of the Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment for such Cash Payment for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Distribution Haircut"** or **"DH"** means, on each Loss Distribution Day, the fraction determined by the Clearing House in accordance with the following formula:

$$DH(t) = LUL(t) / TCG(t)$$

where:

**"LUL"** means the LCH Uncovered Loss; and

~~"TCG" means the Total Cash Gains.~~

$$\underline{DH(t) = LUL(t) / TCG(t)}$$

where:

"LUL" means the LCH Uncovered Loss; and

"TCG" means the Total Cash Gains.

"Last Call Prior to Default" means the most recent business day on which ~~the margin obligations transfers~~ of ~~the~~ Collateral required to be made by SCMs to the Clearing House were ~~discharged~~ made in full.

"LCH Transfer Cost" means the cost (converted, where applicable, into pounds sterling at a rate of exchange determined by the Clearing House in its sole discretion) to the Clearing House of transferring the rights and obligations arising out of the Auction Portfolios of a Defaulting SCM to those SCMs who have successfully bid for such Auction Portfolios in Auctions.

"LCH Uncovered Loss" means, in respect of the Clearing House on any business day in any Loss Distribution Period, the amount calculated in accordance with the following formula:

$$LCH \text{ Uncovered Loss}(t) = \text{Max} (0, (TCPH (t) + CLC(t) - TAR))$$

where:

"TCPH" means the Total Cumulative Pre Haircut Base Currency Gains losses and Realised Cash Flows;

"CLC" means the Cumulative LCH Transfer Cost;

"TAR" means the Total Available Resources; and

~~"TAR" means the Total Available Resources; and~~

the LCH Uncovered Loss as at the Last Call Prior to Default shall be zero.

"Loss Distribution Cap Amount" means, in respect of each Non-Defaulting SCM and any Loss Distribution Period, an amount equal to the higher of (i) £100,000,000; (ii) the product of (a) 100 per cent. and (b) the SwapClear Contribution of such Non-Defaulting SCM as at the last SwapClear Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period; and (iii) any adjusted cap as may be agreed pursuant to paragraph ~~(d)~~(d) of this Rule ~~S9-S9~~.

"Loss Distribution Day" means any business day in a Loss Distribution Period on which the Clearing House, in consultation with the SwapClear DMG, prior to calling for: ~~(i) Collateral in respect of margin obligations in accordance with the provisions of the Procedures; and (ii) Required Collateral;~~

on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

**"Loss Distribution Period"** means the period from, but excluding, the day on which a Default occurs with respect to an SCM to but excluding the earlier of: (i) the business day on which (a) the rights and obligations arising out of the [Default Rules](#). Auction Portfolios of the Defaulting SCM are transferred to those SCMs which have successfully bid for such Auction Portfolios in Auctions, or, if any Default occurs with respect to any other SCM prior to the end of a Loss Distribution Period, the rights and obligations arising out of the Auction Portfolios of any subsequent Defaulting SCM are transferred to those SCMs who have successfully bid for such Auction Portfolios in Auctions and (b) all payments required to be made by such SCMs and/or the Clearing House in respect of such Auction(s) have been made in full; or (ii) any Loss Distribution Day in respect of which the Clearing House determines that the SCM Adjustment Amount for any SCM would be equal to or greater than the Loss Distribution Cap Amount for such Loss Distribution Day.

**"Margin Account"** means each Proprietary Account, Individual Segregated Account, Omnibus ~~Net~~-Segregated Account and each FCM Client ~~Segregated~~ Sub-Account related to the SwapClear Service of an SCM.

**"Payment Currency Adjustment to Cash Payment"** means one or more Cash Gainer Payment Currency Adjustment to Cash Payment(s) and/or one or more Cash Loser Payment Currency Adjustment to Cash Payment(s).

**"Pre Haircut Base Currency Gains, Losses and Realised Cash Flows by Cash Payment"** means, in respect of each Cash Payment and any business day, the amount (converted, where applicable, into pounds sterling at the Rate of Exchange) which would be paid by the Clearing House to a Non-Defaulting SCM (expressed as a positive number) or by such SCM to the Clearing House (expressed as a negative number) on such business day in the absence of the application of the Distribution Haircut.

**"Rate of Exchange"** means, for any day, the applicable rate of exchange for converting one currency into another as determined by the Clearing House by reference to Reuters;

**"SCM Adjustment Amount"** means in respect of the Margin Account(s) of any Non-Defaulting SCM and any Loss Distribution Day, an amount equal to the sum of the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows in respect of such Margin Account(s) of such SCM less the sum of the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Clearing Member, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

**"t"** means, in respect of any determination made in relation to a business day, such business day.

"t-1" means, in respect of any determination made in relation to a business day, the business day immediately prior to such business day. ~~"t-1" means, in respect of any determination made in relation to a business day, the business day immediately prior to such business day.~~

“

**"Total Available Resources<sup>22</sup>"** means, on any business day during a Loss Distribution Period the sum of (i) the Available Resources and (ii) any Unfunded Contributions deposited with the Clearing House since the relevant Last Call Prior to Default.

**"Total Cash Gains"** means, in respect of any business day, the sum of the Cash Gain in respect of all Cash Gainers on such business day.

**"Total Cumulative Pre Haircut Base Currency Gains losses and Realised Cash Flows"** means, in respect of any business day the sum of all Total Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payments.

**"Total Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment"** means, in respect of any business day, the sum of the Total Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment for each business day from but excluding the relevant Last Call Prior to Default to and including such business day.

**"Total Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment"** means, in respect of any business day, the sum of the Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment in respect of all Margin Accounts of all Non-Defaulting SCMs on such business day.

**"Underlying Cash Payment"** means, in respect of a Cash Gainer Base Currency Adjustment to Cash Payment or a Cash Loser Base Currency Adjustment to Cash Payment, the Cash Payment in respect of which such Cash Gainer Base Currency Adjustment to Cash Payment or Cash Loser Base Currency Adjustment to Cash Payment is calculated.

(b) *Adjustment of Underlying Cash Payments*

(i) *Cash Gainer*

On each Loss Distribution Day for each Margin Account of each Non-Defaulting SCM which is deemed to be a Cash Gainer, the relevant SCM shall be required to pay the Clearing House an amount equal to each positive amount determined as follows or, as applicable, the Clearing House shall be required to pay the relevant SCM the absolute value of each negative amount determined as follows (in each case, such amount the **"Cash Gainer Payment Currency Adjustment to Cash Payment"**):

~~The~~the Cash Gainer Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Gainer Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated-.

where:

$$\text{Cash Gainer Base Currency Adjustment to Cash Payment (t)} = \text{PHG(t)} - (\text{CHG(t)} * \text{Max}(0, 1 - \text{DH(t)}) - \text{CAG(t-1)})$$

$$\text{Cash Gainer Base Currency Adjustment to Cash Payment (t)} = \frac{\text{PHG(t)} - (\text{CHG(t)} * \text{Max}(0, 1 - \text{DH(t)}) - \text{CAG(t-1)})}{1}$$

"**PHG**" means the Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**CHG**" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**DH**" means the Distribution Haircut; and

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call Prior to Default shall be zero.

#### ii Cash Loser

On each Loss Distribution Day for each Margin Account of each Non-Defaulting SCM which is deemed to be a Cash Loser, the Clearing House shall be required to pay the absolute value of each amount (the "**Cash Loser Payment Currency Adjustment to Cash Payment**") determined as follows:

~~The~~the Cash Loser Payment Currency Adjustment to Cash Payment is the value of the amount determined in accordance with the formula below (the "**Cash Loser Base Currency Adjustment to Cash Payment**") converted at the Rate of Exchange into the Cash Payment Currency in which the relevant Underlying Cash Payment is denominated-.

~~Where~~

$$\text{Cash Loser Base Currency Adjustment to Cash Payment(t)} = \text{PHG(t)} - (\text{CHG(t)} - \text{CAG(t-1)})$$



where:

$$\text{Cash Loser Base Currency Adjustment to Cash Payment}(t) \\ = \text{PHG}(t) - (\text{CHG}(t) - \text{CAG}(t-1))$$

"**PHG**" Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment;

"**CHG**" means the Cumulative Pre Haircut Base Currency Gains Losses and Realised Cash Flows by Cash Payment; and

"**CAG**" means the Cumulative Actual Base Currency Gains, Losses and Realised Cash Flows by Cash Payment and where "CAG" as at the Last Call Prior to Default shall be zero.

~~iii~~(iii) *Application of Payment Currency Adjustment to Cash Payment*

On each Loss Distribution Day, the Clearing House shall apply the payment or receipt of any Payment Currency Adjustment to Cash Payment as an offset against any payments denominated in the same Cash Payment Currency as the relevant Payment Currency Adjustment to Cash Payment due from or receivable by the relevant SCM.

~~iv~~(iv) *Adjustment for exchange of Notional Amounts on maturity*

~~an~~An exchange of Notional Amounts is applicable to any SwapClear Contract on any business day during a Loss Distribution Period, the Clearing House may, following consultation with its risk committee or the SwapClear DMG, as appropriate, make such adjustments as are necessary to the calculation of a Payment Currency Adjustment to Cash Payment to reflect the payment flows arising from such exchange of Notional Amounts, keeping in mind the principle that the calculation of a Payment Currency Adjustment to Cash Payment is designed to capture all profits and/or losses on positions during the relevant Loss Distribution Period.

(c) *Application of Cash Gainer Payment Currency Adjustment to Cash Payment*

The Clearing House shall apply all payments it receives in respect of Cash Gainer Payment Currency Adjustment to Cash Payments solely for the purposes of meeting any loss incurred by the Clearing House following, and in relation to, each Default, as contemplated in accordance with ~~Rule 16(a)~~Rules 15(a) to (g) of the Default Rules.

(d) *Adjustment to Loss Distribution Cap Amount*

If, during a Loss Distribution Period, the Clearing House considers that the Cash Gainer Payment Currency Adjustment to Cash Payments applied to a particular Margin Account of an SCM are, or are about to be equal to or greater than the Loss Distribution Cap Amount, the Clearing House may propose an adjustment to such Loss Distribution Cap Amount. If agreed by all



Non-Defaulting SCMs, the Loss Distribution Cap Amount as adjusted pursuant to this paragraph ~~(d)~~(d) shall be applicable for the remainder of the relevant Loss Distribution Period.

(e) ***No Rebate***

The payment to the Clearing House by any SCM of any Cash Gainer Payment Currency Adjustment to Cash Payment shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

(f) ***Application of any Recoveries***

If the SwapClear Loss Distribution Process has been invoked by the Clearing House in accordance with this Rule ~~S9,S9~~, the Clearing House shall reimburse the SCMs (irrespective of whether they remain SCMs at the time of the recovery) and the Clearing House on a *pro rata* basis by reference to the resources which have been applied pursuant to ~~Rule 16(a) to (g)~~Rules 15(a) to 15(g) of the Default Rules and including the net amount of any one or more paid by the relevant SCMs:

~~i~~(i) any amounts received from the Defaulting SCM as a result of the Clearing House being a creditor of the Defaulting SCM in respect of the SwapClear Business of such Defaulting SCM in the context of the occurrence of any of the events under ~~Rule 5(i) to (p)~~Rules 5(i) to 5(p) of the Default Rules in respect of the Defaulting SCM or otherwise, other than in respect of sums due to the Clearing House for its own account; or

~~ii~~(ii) any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the SwapClear Default Management Process or which are otherwise referable to the Defaulting SCM,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting SCM in connection with the SwapClear client clearing service. For the avoidance of doubt, nothing in this paragraph ~~(f)~~(f) shall oblige the Clearing House to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of the Clearing House has also been applied as a result of the SCM's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

~~S10.~~ S10. Where, after the Default of one or more SCMs, the Clearing House determines that, notwithstanding the availability of any resources remaining under ~~Rule 16(a)~~Rules 15(a) to ~~(g)~~15(g) of the Default Rules and the availability of the SwapClear Loss Distribution Process in accordance with the terms of Rule ~~S9,S9~~, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those SwapClear Contracts to which it is party with Non-Defaulting SCMs, the Clearing House will by notice in writing (a ~~“SwapClear Voluntary Payment Notice”~~); (i) inform all Non-Defaulting SCMs that it has insufficient resources and that it is likely to invoke Rule ~~S11;S11~~; and (ii) invite each

Non-Defaulting SCM to make a payment of funds (a **“SwapClear Voluntary Payment”**), in accordance with Rule ~~16(g)~~, 15(g) of the Default Rules, to make up for the relevant shortfall.

- ~~(a)~~ SwapClear Voluntary Payments will be made on the following terms:
  - ~~(b)~~(a) no SCM shall be obliged to make a SwapClear Voluntary Payment;
  - ~~(c)~~(b) any SwapClear Voluntary Payment will be made by an SCM by the close of business on the business day after receipt of the relevant SwapClear Voluntary Payment Notice;
  - ~~(d)~~(c) no SwapClear Voluntary Payment may be withdrawn once made; and
  - ~~(e)~~(d) the Clearing House shall full discretion whether or not to accept a particular SwapClear Voluntary Payment.

Any failure by the Clearing House to deliver a SwapClear Voluntary Payment Notice pursuant to this Rule ~~S10~~S10 will not invalidate any action taken by the Clearing House pursuant to Rule ~~S11~~S11 nor give rise to any liability whatsoever on the part of the Clearing House.

Any SwapClear Voluntary Payments remaining unused at the time of the expiry of the relevant SwapClear Default Period will be accounted for rateably by the Clearing House as if they were amounts paid in respect of the SwapClear Contributions of those SCMs from ~~whom~~which SwapClear Voluntary Payments were accepted.

~~S11.~~ S11. Where, following the process for inviting SwapClear Voluntary Payments in accordance with Rule ~~S10~~,S10, the Clearing House makes a determination (an **“Insufficient Resources Determination”**) that it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those SwapClear Contracts to which it is party with Non-Defaulting SCMs, the following provisions shall have effect:

- (a) All outstanding SwapClear Contracts shall be closed out as of the clearing day following the date the Insufficient Resources Determination was made and any further obligations to make any payments under or in respect of such SwapClear Contracts shall cease. The closing prices used shall be mid prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding SwapClear Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin requirement for the position to be closed out.
- (b) On the basis of the close out values established for each outstanding SwapClear Contract, an account shall be taken (as at the time of close out) of what is due in respect of each SCM, from that SCM to the Clearing House and from the Clearing House to that SCM, as well as all other amounts owing under or in respect of SwapClear Contracts and any other amounts that may be due in respect of the SwapClear Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing

House), and the sums due from the SCM shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. For the avoidance of doubt, amounts in respect of SwapClear Contracts shall include, but not be limited to, returns of cash Collateral ~~held by the Clearing House~~provided in respect of ~~the SCM's~~ variation margin ~~obligations~~associated therewith and the repayment of any Net Cash Gainer Payment Currency Adjustment to Cash Payments made in the SwapClear Default Period to which the Insufficient Resources Determination relates (and in respect of which ~~S9~~Rule S9(e) shall be specifically disapplied), but shall exclude the repayment of any cash Collateral ~~transferred~~provided to the Clearing House in respect of ~~the SCM's~~ initial margin ~~obligations~~ or any outstanding SwapClear Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by SCMs plus all of those other resources applicable to the SwapClear Business under ~~Rule 16(a) to (g)~~Rules 15(a) to 15(g) of the Default Rules that have not been applied towards a SwapClear Excess Loss is less than the aggregate of the amounts owed to SCMs by the Clearing House, each amount owed to SCMs by the Clearing House shall be reduced *pro rata* the shortfall.

- (c) The Clearing House shall determine any amounts due to each SCM in respect of ~~the repayment of any~~ cash Collateral ~~held by the Clearing House~~provided in respect of ~~the SCM's~~ initial margin ~~obligations~~ and outstanding SwapClear Contributions to be repaid. The claim of each such SCM in respect ~~of~~to the foregoing shall be reduced in proportion to an amount by which (i) the value of the assets available to the Clearing House to meet the return obligations referred to in ~~(ii)~~(i) bears to (ii) the value of what would be due from the Clearing House to ~~the each~~ Clearing Members in aggregate in respect of the return of cash Collateral ~~held by the~~received from each such Clearing House ~~Member~~ in respect of ~~the Clearing Members'~~its initial margin obligations and ~~in respect of~~ outstanding Contributions.
- (d) For each SCM, the amount due to it or due from it as determined pursuant to ~~(b)~~paragraph (b) shall be aggregated with its claim determined pursuant to ~~(c)~~paragraph (c) above and only the net sum shall be payable. Where the result of such calculations is that an SCM owes an amount to the Clearing House, that SCM shall pay that amount to the Clearing House immediately. Where the result of such calculations is that an SCM is owed an amount by the Clearing House, the Clearing House shall pay that amount to the SCM immediately, subject to ~~(f)~~paragraph (f) below.
- (e) The payment of such amount to an SCM, pursuant to ~~(d)~~paragraph (d) above subject to any re-calculations performed pursuant to ~~(f)~~paragraph (f) below, shall constitute the full and final payment in respect of the SwapClear Service and such SCM shall not be permitted to make any further claims on the Clearing House in respect of amounts relating to the SwapClear Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation ~~39A~~45 (Netting) for a failure to pay any amounts in relation to the SwapClear Service.

- (f) The Clearing House may make the payments due under ~~(d) paragraph (d)~~ above in one or more instalments to the SCMs in proportion to the value of their claims on the Clearing House under ~~(b) paragraph (b)~~ above if some but not all of the amounts due under ~~(d) or Rule 16(a) to 16(g) paragraph (d)~~ above or Rules 15(a) to 15(g) of the Default Rules have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to SCMs in accordance with this Rule ~~S11~~S11.
- (g) This Rule ~~S11~~S11 shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation ~~39A.45 (Netting)~~.
- (h) Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral ~~transferred to it~~provided by a SCM in respect of its initial margin obligations pursuant to the Regulations and Procedures.

#### ~~S12.—Ballot Arrangements~~

~~Notwithstanding anything to the contrary in clauses 9.4 and 9.5 of the Clearing Membership Agreement, no proposal for any of the amendments set out in paragraphs (i), (ii) and (iii) below (each a "SwapClear Amendment") shall be capable of coming into effect unless first approved in a ballot of SCMs:~~

- ~~i — any amendment to the value of the SwapClear Fund Floor and/or the value of the SwapClear Fund Cap, in each case as provided for in paragraph (b) of Rule S2 or as subsequently approved in a ballot under this Rule S12;~~
- ~~ii — any amendment providing for a change in the nature of the liabilities for which an SCM's indemnity is given by virtue of paragraph (c) of Rule 28; and~~
- ~~iii — any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the SCMs but not in the commitments of any other Clearing Members,~~
- ~~(a) — For the purposes of a ballot conducted pursuant to this Rule S12, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:~~
- ~~i — the words "major amendment to the Default Fund Rules" in the first line of clause 9.4 of the Clearing Membership Agreement shall be replaced with the words "SwapClear Amendment";~~
- ~~ii — all references to "Clearing Members" shall be replaced with references to "SCMs";~~

- ~~iii — in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Contributions" shall be replaced with a reference to "SwapClear Contributions" and the reference to "Quarter Day" shall be replaced with a reference to "SwapClear Determination Date";~~
  - ~~iv — references to "Fund Amount" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "SwapClear Fund Amount";~~
  - ~~v — the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be replaced with a reference to "Rule S12 of the SwapClear Default Fund Supplement to the Default Fund Rules"; and~~
  - ~~vi — the references to "Contribution" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "SwapClear Contribution".~~
- ~~(b) — Only General Clearing Members shall be entitled to vote in a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement in relation to an amendment which affects exclusively any one or combination of: (i) the EquityClear Fund Amount; (ii) the Exchange Fund Amount; (iii) the nature of the liabilities for which a General Clearing Member's indemnity is given by virtue of paragraph (b) of Rule 28; or (iv) any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the General Clearing Members but not in the commitments of any other Clearing Members. As a result, for the purposes of a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement other than a Cross-Service Ballot, references to "Clearing Members" shall not include SCMs who are not also General Clearing Members and SwapClear Contributions shall not count as "Contributions".~~

~~For the purposes of this paragraph (c) of this Rule S12, a "Cross-Service Ballot" shall mean: (i) a ballot in relation to an amendment which represents a significant change in the commitments of all of the Clearing Members of the Clearing House or of a significant section of such Clearing Members of the Clearing House who are so categorised together, irrespective of and independently from, the Services which they clear; and, as such (ii) a ballot which falls within paragraph (c) of clause 9.5 of the Clearing Membership Agreement (because, in the opinion of the Board of Directors of the Clearing House, it is an amendment which "would represent a significant change in the commitments of... a significant section of the Clearing Members") but does not fall within paragraph (a)(iii) of Rule F12, paragraph (a)(iii) of this Rule S12 and/or paragraph (a)(ii) of Rule R12 (because the relevant section of the Clearing Members is not restricted to Clearing Members acting in the capacity of Clearing Members in ForexClear, SwapClear and/or RepoClear).~~

**~~RepoClear Default Fund Supplement~~**

**SCHEDULE 7**  
**REPOCLEAR DEFAULT FUND SUPPLEMENT**

R1 On each business day, the Clearing House will determine the "**Combined Loss Value**" in respect of each of the 20 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the RCMs which have the largest and the second largest STLIEOM on that day. For this purpose, the "**STLIEOM**" means, in respect of each RCM and any day, the stress-tested loss in excess of the value amount of ~~the~~ Collateral ~~transferred by that RCM~~ provided in respect of ~~its~~ initial margin ~~requirement~~ (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that RCM's RepoClear Business if that RCM became a Defaulting RCM on that day (but taking into account any additional Collateral ~~in respect of additional margin~~ called pursuant to ~~R2(k)~~ Rule R2(k) in respect of such RCM).

R2 Each RCM's RepoClear Contribution (other than ~~any~~ RepoClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:

(a) determinations will be made by the Clearing House initially on a date determined by the Clearing House and thereafter on the date that an RCM joins the RepoClear Service, and at close of business on the first business day of each subsequent month (each a "**RepoClear Determination Date**") **provided, however, that**, following a Default, any such determinations and any such RepoClear Determination Date which might otherwise have occurred under this Rule ~~R-2~~ R2 shall be suspended for the duration of the period (the "**RepoClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:

~~i~~ (i) the date which is the close of business on the day falling 30 calendar days after the RepoClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and

~~ii~~ (ii) where, prior to the ~~to the~~ end of the period referred to in ~~(i)~~ sub-paragraph (i) above (or such period as has already been extended pursuant to this sub-paragraph ~~(ii)~~ (ii)) one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the RepoClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);

(b) the "**RepoClear Segregated Fund Amount**" shall be denominated in euro, and, for a given RepoClear Determination Date, shall be the value of which the largest of the 20 Combined Loss Values determined under Rule ~~R-1~~ R1 ~~plus 10%~~ represents 90 per cent. The RepoClear Segregated Fund Amount shall not be less than EUR 500 million or such greater amount as shall be determined by the LCH Risk Committee (the "**RepoClear Fund Floor**") and shall not be more than EUR 620 million or such greater amount as shall be determined by the LCH Risk Committee from time to time on the basis of the



stress tests applied to current positions of RCMs (the "**RepoClear Fund Current Maximum Amount**") ~~except that the LCH Risk Committee may not increase the RepoClear Segregated Fund Amount above EUR 1,500 million (the "**RepoClear Fund Cap**") without a ballot of RCMs pursuant to Rule R12;Cap~~);

- (c) the RCM's "**RepoClear Margin Weight**" shall be calculated by dividing the average daily initial margin ~~requirement~~obligation (as calculated under the Procedures or other arrangements applicable) which has applied to the RCM during the 20 business day period preceding the relevant RepoClear Determination Date in respect of all Fixed Income Contracts to which such RCM is a party by the total of such average daily ~~requirements~~obligations applied to all Non-Defaulting RCMs;
- (d) the RCM's "**Preliminary RepoClear Contribution**" shall be calculated by multiplying the RepoClear Segregated Fund Amount by the RCM's RepoClear Margin Weight;
- (e) if the Clearing Member's Preliminary RepoClear Contribution is below the Minimum RepoClear Contribution for the time being, the Clearing Member's RepoClear Contribution shall be the Minimum RepoClear Contribution;
- (f) the "**RepoClear Actual Total**" shall be calculated by adding together (i) the amount which is the product of the Minimum RepoClear Contribution and the number of Minimum RepoClear Contribution Members; and (ii) the aggregate Preliminary RepoClear Contributions of those RCMs which are not Minimum RepoClear Contribution Members;
- (g) where the RepoClear Actual Total is greater than the RepoClear Fund ~~Current Maximum Amount~~Cap, the "**RepoClear Excess**" shall be the arithmetical difference between the RepoClear Actual Total and the RepoClear Fund ~~Current Maximum Amount~~Cap;
- (h) where the RepoClear Actual Total is less than the RepoClear Fund Floor, the "**RepoClear Shortfall**" shall be the arithmetical difference between the RepoClear Fund Floor and the RepoClear Actual Total;
- (i) for each RCM other than a Minimum RepoClear Contribution Member: (i) the RCM's "**RepoClear Discount**" (if any) shall be such RCM's *pro rata* share of the RepoClear Excess calculated as the proportion of such ~~RCM's~~RCM's Preliminary RepoClear Contribution relative to the aggregate Preliminary RepoClear Contributions of all RCMs other than Minimum RepoClear Contribution Members; and (ii) the RCM's "**RepoClear Increase**" (if any) shall be such RCM's *pro rata* share of the RepoClear Shortfall calculated as the proportion of such RCM's Preliminary RepoClear Contribution relative to the aggregate Preliminary RepoClear Contributions of all RCMs other than Minimum RepoClear Contribution Members; ~~and (ii) the RCM's "**RepoClear Increase**" (if any) shall be such RCM's *pro rata* share of the RepoClear Shortfall calculated as the proportion of such RCM's Preliminary RepoClear Contribution relative to the aggregate Preliminary~~



~~RepoClear Contributions of all RCMs other than Minimum RepoClear Contribution Members;~~

- (i) for each RCM other than a Minimum RepoClear Contribution Member, the RCM's RepoClear Contribution shall be the Preliminary RepoClear Contribution (i) less any RepoClear Discount applicable to the RCM or (ii) plus any RepoClear Increase applicable to the RCM; **provided that** if the application of any RepoClear Discount would result in a RepoClear Contribution less than the Minimum RepoClear Contribution, such RCM shall pay the Minimum RepoClear Contribution notwithstanding that the arithmetical sum of RepoClear Contributions paid by all RCMs may thereby exceed the RepoClear Fund ~~Current Maximum Amount~~Cap; and
- (k) notwithstanding paragraphs ~~(a)~~(a) to ~~(j)~~(j) above, if any RCM has a STLIEOM which is equal to or greater than 45% per cent. of the RepoClear Segregated Fund Amount, the Clearing House may require such RCM to transfer to the Clearing House an amount of additional Collateral ~~in respect of additional margin~~ sufficient to reduce the STLIEOM for that RCM to less than 45% per cent. of the RepoClear Segregated Fund Amount and where such RCMs STLIEOM would be less than 45% per cent. excluding any such additional Collateral ~~in respect of additional margin~~ that has been called, then such additional Collateral shall be returned.

R3 For the purposes of the calculations under Rules ~~R-1~~R1 and ~~R-2~~Rule R2:

- (a) references to "RepoClear Clearing Members" or "RCMs" do not include references to Defaulting RCMs (apart from any Defaulting RCM in respect of which the Clearing House permits the application of Rule ~~R-2~~R2) or persons which were formerly RCMs but are not RCMs at the RepoClear Determination Date at which the relevant determination is made;
- (b) no account shall be taken, in calculating ~~the~~ initial margin ~~requirement~~ or RepoClear Margin Weight under Rule ~~R-2~~R2 of any offsets applied in ~~the~~calculating initial margin ~~required for obligations imposed on an RCM in respect of~~ Fixed Income Contracts ~~from an RCM~~, which may otherwise be permissible under the Procedures or other arrangements applicable;
- (c) **provided that** the RCM is not a Defaulting RCM, the amount of its RepoClear Contribution shall be calculated in accordance with and subject to Rule ~~R-2~~R2. The provisions of Rule ~~R-2~~R2 and this Rule do not apply to a Defaulting RCM, unless the Clearing House so permits in any particular case; and
- (d) notwithstanding Rule ~~3325 of the Default Rules~~, if a RCM notifies the Clearing House on the RepoClear Default Management Process Completion Date that it wishes to resign from the RepoClear Service, such RCM, assuming all other requirements for termination of membership have been satisfied by the next following RepoClear Determination Date, shall cease to be a RCM for the purpose of Rule ~~R2~~R2 on and from the date upon which its RepoClear Contribution is repaid to it by the Clearing House and such

payment will be made by the Clearing House following the subsequent RepoClear Determination Date in accordance with the Procedures.

R4 Without prejudice to any other requirements which the Clearing House may impose, the amount of the RepoClear Contribution of a New Member on becoming a New Member shall be the sum of (a) the Minimum RepoClear Contribution and (b) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

R5 Upon determination of the amount of a RepoClear Contribution in accordance with Rule ~~R.2~~R2:

(a) ~~if the amount of the RepoClear Contribution of an RCM immediately before close of business on the relevant RepoClear Determination Date exceeds the amount of the RCM's RepoClear Contribution as determined under Rule R2 as at close of business on that day, the excess shall be paid by the Clearing House to such RCM in accordance with the Procedures;~~

~~(a)~~(b) if the amount of the RepoClear Contribution of an RCM immediately before close of business on the relevant RepoClear Determination Date ~~exceeds~~is the ~~same as the~~ amount of the RCM's RepoClear Contribution as ~~so~~ determined ~~under Rule R.2 as at close of business on that day, the excess, no sum~~ shall ~~then~~ be ~~paid~~payable by ~~the Clearing House~~or to such RCM in ~~accordance with the Procedures;~~respect of its Contribution; and

~~(b)~~(c) if the amount of the RepoClear Contribution of an RCM immediately before close of business on the relevant RepoClear Determination Date is ~~the same as~~less than the amount of the RCM's RepoClear Contribution as so determined, ~~no sum~~the shortfall shall ~~then~~ be ~~payable~~paid by ~~or to~~ such RCM ~~to the Clearing House in respect of its Contribution; and~~ accordance with the Procedures.

~~if the amount of the RepoClear Contribution of an RCM immediately before close of business on the relevant RepoClear Determination Date is less than the amount of the RCM's RepoClear Contribution as so determined, the shortfall shall be paid by such RCM to the Clearing House in accordance with the Procedures.~~

RepoClear Contributions shall at all times be denominated in EUR. However, a RCM may pay its RepoClear Contribution in either EUR or GBP in accordance with the Procedures.

The provisions of this Rule do not apply to a Defaulting RCM, unless the Clearing House so permits in any particular case.

R6 On any day interest shall accrue on the amount of each RepoClear Contribution ~~then~~ held by the Clearing House, to the extent that it has not been applied under ~~Rule 26~~Rules 19 or ~~Rule 28~~21 of the Default Rules, at such rate and in such manner as provided by the Procedures, **provided that** the rate of interest for any particular day shall be based on a market recognised benchmark rate plus or minus a spread and

published on the website of the Clearing House. Interest shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. In these Default Fund Rules any interest which has accrued under this Rule shall not be regarded as part of the RepoClear Contribution.

R7

(a) After a Default, unless and until the Clearing House has repaid a Defaulter's RepoClear Contribution (or the remaining part thereof, as applicable), the RepoClear Segregated Fund Amount shall be treated as having been reduced by the amount of the Defaulter's RepoClear Contribution (if any), regardless of whether the Clearing House has applied part or all of that RepoClear Contribution under Rule 28 of the Default Rules.

(b) Where, after a Default, the Clearing House has applied part or all of the RepoClear Contribution Contributions of the Non-Defaulting RCMs under Rule 26 or Rule 2821 of the Default Rules, the RepoClear Segregated Fund Amount shall be reduced forthwith by the deduction of (i) the amount of the Defaulter's RepoClear Contribution (if any) in accordance with paragraph (a) of this Rule R7; and (ii) the aggregate amount of the RepoClear Contributions or parts of RepoClear Contributions of the Non-Defaulting RCMs so applied, and the amount of the RepoClear Contribution that each Non-Defaulting RCM must maintain with the Clearing House shall be reduced by the amount of its RepoClear Contribution which has been so applied pursuant, subject to Rule 28, in (where applicable) the requirement under paragraph (c) of this Rule R7.

(c) Following the completion of a RepoClear Default Management Process, the Clearing House will deliver a notice to the RCMs confirming that the relevant RepoClear Default Management Process Completion Date has occurred. If, following the issuance of such notice, the value of the RepoClear Segregated Fund Amount determined in accordance with paragraph (b) of this Rule R7 is less than the RepoClear Fund Floor, the Clearing House may notify each ~~ease until the next RepoClear~~ Non-Defaulting RCM that it is required to make a Supplementary Contribution, based on the proportion that the value of its RepoClear Contribution as at the last RepoClear Determination Date. ~~Unless and until~~ prior to the ~~Clearing House has repaid a defaulter's~~ date when the relevant Default occurred bears to the value of the aggregate RepoClear Contribution (or remaining part thereof, Contributions of all Non-Defaulting RCMs as applicable); at such date, so as to reinstate the RepoClear Segregated Fund Amount ~~shall be treated as having been reduced by the amount of the defaulter's~~ to a value which is no less than the RepoClear Contribution (if any), regardless of whether the Clearing House has applied part or all of that ~~RepoClear Contribution under Rule 26.~~ Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.

R8 Where, after a Default, the Clearing House determines that (i) by reason of a reduction in accordance with Rule ~~R.7~~R7, the value of the RepoClear Segregated Fund Amount has been reduced by at least 25% ~~; per cent.~~; or (ii) by the time of the RepoClear Default Management Process Completion Date in relation to the relevant

Default the value of the RepoClear Segregated Fund Amount will be reduced by at least 25%~~, per cent.~~, the Clearing House may, by notice in writing (the "**RepoClear Unfunded Contribution Notice**");~~),~~ require each Non-Defaulting RCM to deposit and maintain an amount (each a "**RepoClear Unfunded Contribution**") in accordance with the following provisions:

- (a) RepoClear Unfunded Contributions will only be payable in circumstances where the relevant RepoClear Unfunded Contribution Notice is delivered by the Clearing House to RCMs prior to the RepoClear Default Management Process Completion Date in relation to the relevant Default;
- (b) the value of the RepoClear Unfunded Contribution payable by each individual RCM shall be the product of (i) the percentage by which the value of the RepoClear Segregated Fund Amount has been reduced and (ii) the value of the RepoClear Contribution of such RCM as at the last RepoClear Determination Date prior to the date when the relevant Default occurred;
- (c) following the payment of a RepoClear Unfunded Contribution in accordance with paragraphs ~~R8(a)~~(a) and ~~(b)~~(b) above, the Clearing House may, by the delivery of one or more further RepoClear Unfunded Contribution Notices, require each Non-Defaulting RCM to pay one or more further RepoClear Unfunded Contributions in respect of the same Default, **provided that** the total value of the RepoClear Unfunded Contributions payable by an individual RCM in respect of a particular Default (determined in accordance with paragraph ~~(b)~~(b) above) may not exceed the value of the RepoClear Contribution of such RCM as at the last RepoClear Determination Date prior to the date when the relevant Default occurred; and
- (d) following a Default in respect of which RepoClear Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further RepoClear Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), **provided that** RepoClear Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first RepoClear Unfunded Contribution Notice in respect of the First Default).

RCMs will be required to deposit the full amount of their RepoClear Unfunded Contributions (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of a RepoClear Unfunded Contribution Notice.

For the avoidance of doubt, references to "RCMs" for the purposes of this Rule ~~R-8~~R8 include any RCM (other than a Defaulting RCM) who is: (i) a Retiring Member but whose status as a Clearing Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the RepoClear Service is not yet effective.

#### R9 RepoClear Loss Distribution Process

Where, after a Default, the Clearing House determines that the RepoClear Excess Loss resulting from the Default will exceed the amounts to be applied to it under **Rule**

~~16(a) to (g)~~, [Rules 15\(a\) to 15\(g\) of the Default Rules](#), the Clearing House may implement the process (the "**RepoClear Loss Distribution Process**") described in this Rule ~~R.9R9~~.

(a) For the purposes of this RepoClear Default Fund Supplement, the following definitions will apply:

~~“Additional Margin” means any Collateral other than Initial Margin, Variation Margin and Delivery Margin which is called in order to mitigate default risk across the life of a Contract.~~

"**Available Resources**" means, in respect of any Loss Distribution Period or Service Closure Period, the aggregated amount which is available to be paid by the Clearing House for application in meeting any loss suffered or incurred by the Clearing House in accordance with ~~Rule 16(a) to (g)~~ [Rules 15\(a\) to 15\(g\) of the Default Rules](#) as at and including the relevant Last Call Prior to Default.

"**Cash Payment**" means, in respect of any business day, the aggregated amount which would be paid by the Clearing House to a Non-Defaulting RCM (expressed as a positive number) or by such RCM to the Clearing House (expressed as a negative number) in a Cash Payment Currency on such business day.

"**Cash Payment Currency**" means, in respect of each RCM, the Currency in which it paid its RepoClear Contribution.

"**Cumulative LCH Transfer Cost**" means, as determined on any business day during any Loss Distribution Period or Service Closure Period, the sum of any LCH Transfer Cost for each day from but excluding the relevant Last Call Prior to Default to and including such business day.

~~“Final Determination Date”~~ means the business day subsequent to an Insufficient Resources Determination Date when a Shortfall Allocation (as defined in ~~R11(e)(i)~~ [Rule 11\(c\)\(i\) of the Default Rules](#) is to be determined.

~~“Insufficient Resources Determination Date”~~ means the day on which an Insufficient Resources Determination (as defined in ~~R11~~ [Rule R11](#)) is made by the Clearing House.

"**Last Call Prior to Default**" means the most recent business day on which ~~the margin obligations~~ [transfers](#) of ~~the Collateral required to be made by~~ RCMs [to the Clearing House](#) were ~~discharged~~ [made](#) in full.

"**LCH Transfer Cost**" means any cost (converted, where applicable, into EUR at a Rate of Exchange determined by the Clearing House in its sole discretion) to the Clearing House arising out of transferring the rights and obligations arising out of the Fixed Income Contracts of a Defaulting RCM to any other RCM or third parties.

~~“LCH Final Uncovered Loss”~~ means the aggregate of LCH Uncovered Losses arising on each day in a Service Closure Period.

"**LCH Uncovered Loss**" means, in respect of the Clearing House, as determined on any business day in any Loss Distribution Period or Service Closure Period, the amount greater than zero calculated in accordance with the following formula:

$$\text{TRCMCP} + \text{CLC} - (\text{TAR} + \text{TLD})$$

$$\frac{\text{TRCMCP} + \text{CLC} - (\text{TAR} + \text{TLD})}{\text{TRCMCP} + \text{CLC} - (\text{TAR} + \text{TLD})}$$

where:

"**TRCMCP**" means the TRCM Cash Payment;

"**CLC**" means the Cumulative LCH Transfer Cost;

"**TAR**" means the Total Available Resources; and

~~"**CLC**" means the Cumulative LCH Transfer Cost;~~

~~"**TAR**" means the Total Available Resources; and~~

"**TLD**" means Total Loss Distribution; and

the LCH Uncovered Loss as at the Last Call Prior to Default shall be zero.

"**Loss Distribution Cap Amount**" means, in respect of each Non-Defaulting RCM and any Loss Distribution Period, an amount equal to the product of (i) 100 per cent. and (ii) the RepoClear Contribution of such Non-Defaulting RCM as at the last RepoClear Determination Date prior to the date when the Default occurred at the beginning of that Loss Distribution Period<sub>;</sub>

"**Loss Distribution Day**" means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for: ~~(i) Collateral in respect of margin obligations in accordance with the provisions of the Procedures; and (ii) Required Collateral,~~ on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"**Loss Distribution Period**" means the period from, but excluding, the day on which a Default occurs with respect to an RCM to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.

"**Rate of Exchange**" means, for any day, the applicable rate of exchange for converting one currency into another as determined by the Clearing House by reference to Reuters<sub>;</sub>

"**RCM Cash Payment**" means, in respect of any Cash Payment (converted, where applicable into EUR at a Rate of Exchange determined by the Clearing House in its sole discretion) and any business day (a) the amount of any such Cash Payment which would be paid by the Clearing House to a Non-Defaulting RCM in respect of the Fixed Income Contracts of a Defaulting RCM on such business day (expressed as a positive number) excluding any cash payments made by the Clearing House to such Non-Defaulting RCM in



respect ~~of~~ (i) ~~of~~ delivery versus payment transfers and (ii) all transfers of cash Collateral other than in respect ~~Variation-Margin~~ of variation margin; and (b) the amount of any Cash Payments made by the relevant Non-Defaulting RCM to the Clearing House in respect of the Fixed Income Contracts of a Defaulting RCM on such business day (expressed as a negative number) excluding any cash payments made by the relevant Non-Defaulting RCM to the Clearing House in respect ~~of~~ (i) ~~of~~ delivery versus payment transfers and (ii) ~~transfer~~ all transfers of cash Collateral ~~—~~ other than in respect of ~~Variation-Margin-~~ variation margin.

“Service Closure Period” means the period from and including an Insufficient Resources Determination Date to, but including, a Final Determination Date.

“Total Available Resources” means, during a Loss Distribution Period or Service Closure Period the sum of (i) the Available Resources and (ii) any Unfunded Contributions.

**“Total Loss Distribution”** means, as determined on the day an LCH Uncovered Loss is being determined, the sum of any Loss Distribution Charges paid by Non-Defaulting RCMs from but the excluding relevant Last Call Prior to Default to and excluding such day.

“TRCM Cash Payment” means the total of all cumulative RCM Cash Payments for each business day from but excluding the relevant Last Call Prior to Default up to and including the business day upon which LCH Uncovered Losses are being determined.

#### (b) *Loss Distribution Charges*

On each Loss Distribution Day, each Non-Defaulting RCM shall be required to pay to the Clearing House a **“Loss Distribution Charge”** which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Non-Defaulting RCM's RepoClear Contribution bears to the aggregate of the RepoClear Contributions of all Non-Defaulting RCMs, **provided that**, the aggregate of all such Loss Distribution Charges shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting RCM.

Any Loss Distribution Charge shall be paid by the RCM to the Clearing House in accordance with the Procedures.

#### (c) *Application of Loss Distribution Charges to Cash Payment*

The Clearing House shall apply all payments it receives in respect of Loss Distribution Charges to Cash Payments solely for the purposes of meeting any loss incurred by the Clearing House following, and in relation to, each Default, as contemplated in accordance with ~~Rule 16(a) to (g)~~ Rules 15(a) to 15(g) of the Default Rules.

(d) ***No Rebate***

The payment to the Clearing House by any RCM of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

(e) ***Application of any Recoveries***

If the RepoClear Loss Distribution Process has been invoked by the Clearing House in accordance with this Rule ~~R-9R9~~, the Clearing House shall reimburse the RCMs (irrespective of whether they remain RCMs at the time of the recovery) and the Clearing House on a *pro rata* basis by reference to the resources which have been applied pursuant to ~~Rule 16(a)~~Rules 15(a) to (g)15(g) of the Default Rules (including any RepoClear Unfunded Contributions) and including the net amount of any one or more paid by the relevant RCMs:

i(i) any amounts received from the Defaulting RCM as a result of the Clearing House being a creditor of the Defaulting RCM in respect of the RepoClear Business of such Defaulting RCM in the context of the occurrence of any of the events under ~~Rule 5(i) to (p)~~Rules 5(i) to 5(p) of the Default Rules in respect of the Defaulting RCM or otherwise, other than in respect of sums due to the Clearing House for its own account; or

ii(ii) any other amounts howsoever obtained or recovered in the course of the Clearing House's operation of the RepoClear Default Management Process or which are otherwise referable to the Defaulting RCM,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulting RCM in connection with the RepoClear client clearing service. For the avoidance of doubt, nothing in this paragraph ~~(f)(e)~~ shall oblige the Clearing House to pursue any litigation or other action in order to recover the amounts contemplated above and if another default fund of the Clearing House has also been applied as a result of the RCM's Default, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

R10 Where, after the Default of one or more RCMs, the Clearing House determines that, notwithstanding the availability of any resources remaining under ~~Rule 16(a)~~Rules 15(a) to (g)15(g) of the Default Rules and the availability of the RepoClear Loss Distribution Process in accordance with the terms of Rule ~~R-9R9~~, it is clear that the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of those Fixed Income Contracts to which it is party with Non-Defaulting RCMs, the Clearing House shall conduct a ballot of Non-Defaulting RCMs to determine whether or not to repeat the RepoClear Loss Distribution Process in Rule ~~R-9R9~~. The quorum for such a ballot shall be 95% per cent. of all Non-Defaulting RCMs, and any such ballot shall only be carried if it all those RCMs who vote have voted in favour of repeating the procedures in Rule ~~R-9R9~~. For the avoidance of doubt, where the Loss Distribution Process in Rule ~~R-9R9~~ is repeated following a vote in favour of such under this Rule ~~R-10~~R10, no Loss Distribution



Charges paid by Non-Defaulting RCMs under previous applications of the Loss Distribution Process shall be included in determining whether the Loss Distribution Cap Amount for such current application of the RepoClear Loss Distribution Process has been reached.

R11 Where, following the conclusion of the Loss Distribution Process (including any repeat of the RepoClear Loss Distribution Process following a ballot pursuant to Rule ~~R10~~, R10), the Clearing House makes a determination (an "Insufficient Resources Determination") that the Clearing House would not in future have sufficient resources to meet its contractual obligations arising in respect of those Fixed Income Contracts to which it is party with Non-Defaulting RCMs were this Rule ~~R11~~ R11 not to apply, the following provisions shall have effect:

(a) All outstanding Fixed Income Contracts shall be closed out as of the clearing day following the date the Insufficient Resources Determination was made.

(b) On the basis of the close out values established for each outstanding Fixed Income Contract by the Clearing House acting in a commercially reasonable manner, an account shall be taken (as at the time of close out) of what is due in respect of each RCM, from that RCM to the Clearing House and from the Clearing House to that RCM in respect of Fixed Income Contracts and any other amounts that may be due in respect of the RepoClear Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the RCM shall be set off against the sums due from the Clearing House and, subject to paragraph ~~(e)~~, (c), below, only the balance of the account shall be payable. For the avoidance of doubt, amounts in respect of Fixed Income Contracts shall include, but not be limited to, returns of ~~cash~~ Collateral ~~held by the Clearing House~~ provided in respect of ~~the RCM's~~ variation margin ~~obligations~~ (but shall exclude the ~~repayment~~ return of any ~~cash~~ Collateral ~~held by the Clearing House~~ provided in respect of ~~the RCM's~~ initial ~~margin obligations~~ or additional margin) and amounts due in respect of the RepoClear Service shall include, but not be limited to, any Loss Distribution Charges payable by that RCM pursuant to Rule ~~R.9~~ R9 (but shall exclude the repayment of any outstanding RepoClear Contributions).

(c) To the extent that (x) the aggregate of all of the net amounts owed to the Clearing House by RCMs pursuant to paragraph ~~(b)~~, (b), above, plus all of those other resources applicable to the RepoClear Client Clearing Service under ~~Rule 16(a)~~ Rules 15(a) to ~~(g)~~ 15(g) of the Default Rules (excluding for these purposes ~~assets representing~~ Collateral ~~held by the Clearing House~~ in respect of ~~RCMs'~~ initial ~~margin obligations and or~~ additional margin) that have not been applied towards a RepoClear Excess Loss (the "RepoClear Final Resources") are less than (y) the LCH Final Uncovered Losses, the amount by which (y) exceeds (x) shall be the "LCH Closure Shortfall":

(i) the LCH Closure Shortfall ~~(as defined above)~~ shall be allocated between the RCMs based upon the proportion that (i) the value of each RCM's RepoClear Additional Payments Cap bears to (ii) the aggregate of the RepoClear Additional Payments Caps of all RCMs (the amount allocated to each such RCM being the "Shortfall Allocation" in

respect of that RCM); and each RCM shall (subject to sub-paragraph ~~(ii) and (iii)~~ paragraphs (ii) and (iii) below) make a new cash payment to the Clearing House in respect of its Shortfall Allocation, which shall be the lower of its Shortfall Allocation and the RepoClear Additional Payments Cap in respect of such RCM (a "Service Closure Payment");

ii(ii) the Service Closure Payment owed by an RCM in sub-paragraph ~~(e)(i)~~(i) above shall be set off against the sums owed by the Clearing House in sub-paragraph ~~(b)~~(b) above to that RCM and only the balance (subject to sub-paragraph ~~(iii)~~(iii) below) shall be payable in cash by either the RCM or the Clearing House, as applicable (the "Final Net Payment"); and

iii(iii) the Clearing House shall determine any amounts due to each RCM in respect of ~~the repayment~~ repayments of any cash Collateral ~~held by transferred to~~ the Clearing House in respect of the RCM's initial ~~margin obligations~~ and additional margin ~~obligations~~. The Clearing House and the RCMs hereby agree that cash Collateral held by the Clearing House in respect of ~~an~~the RCM's initial ~~margin obligations~~ and ~~in respect of~~ additional margin ~~transferred by that RCM~~ obligations shall operationally net in the PPS against the cash payment of the Final Net Payment in accordance with the processes of the PPS.

(d) Where an RCM owes an amount to the Clearing House under ~~Rule R11(b)~~(b) or if there is an LCH Closure Shortfall under ~~Rule R11(e)(iii)~~, sub-paragraph ~~(c)(iii)~~, that RCM shall pay that amount to the Clearing House immediately. Where an RCM is owed an amount by the Clearing House under ~~Rule R11(b)~~ paragraph (b) or if there is an LCH Closure Shortfall under ~~Rule R11(e)(i)~~ paragraph (c)(ii) and/or ~~(iii)~~, (c)(iii), the Clearing House shall pay that amount to the RCM immediately, subject to ~~(e)~~ paragraph (e) below.

(e) The Clearing House may make the payments due under paragraph ~~(d)~~(d) above in one or more instalments to the RCMs in proportion to the value of their claims on the Clearing House under paragraphs ~~(b)~~(b) or ~~(e)~~(c) above if some but not all of the amounts due under paragraph ~~(d) or Rule 16(a) to 16(h)~~(d) above or Rules 15(a) to 15(h) of the Default Rules have not yet been received. No interest will be payable by the Clearing House on any instalments. The Clearing House may take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to RCMs in accordance with this Rule ~~R11.R11~~. To the extent that the Clearing House ultimately recovers amounts in excess of the LCH Closure Shortfall it shall return such amounts to the relevant RCMs (other than a Defaulting RCM) and to the extent that such amounts have been received as Service Closure Payments, it shall return such amounts to the RCMs (other than a Defaulting RCM) in proportion to their Shortfall Allocations.

(f) This Rule ~~R11~~R11 shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation ~~39A.45~~ 45 (Netting).

(g) Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral ~~transferred to it~~provided by a RCM in respect of its initial margin obligations pursuant to the Regulations and Procedures.

### Ballot Arrangements

~~Notwithstanding anything to the contrary in clauses 9.4 and 9.5 of the Clearing Membership Agreement, no proposal for any of the amendments set out in paragraphs (i) or (ii) below (each a "RepoClear Amendment") shall be capable of coming into effect unless first approved in a ballot of RCMs:~~

~~any amendment providing for a change in the nature of the liabilities for which an RCM's indemnity is given by virtue of paragraph (d) of Rule 28;~~

~~any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the RCMs but not in the commitments of any other Clearing Members; and~~

~~iii. any increase in the RepoClear Fund Cap~~

~~For the purposes of a ballot conducted pursuant to this Rule R12, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:~~

~~the words "major amendment to the Default Fund Rules" in the first line of clause 9.4 of the Clearing Membership Agreement shall be replaced with the words "RepoClear Amendment";~~

~~all references to "Clearing Members" shall be replaced with references to "RCMs";~~

~~in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Contributions" shall be replaced with a reference to "RepoClear Contributions" and the reference to "Quarter Day" shall be replaced with a reference to "RepoClear Determination Date";~~

~~references to "Fund Amount" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "RepoClear Fund Amount";~~

~~the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be replaced with a reference to "Rule R12 of the RepoClear Default Fund Supplement to the Default Fund Rules"; and~~

~~the references to "Contribution" in clauses 9.6 and 9.7 of the Clearing Membership Agreement shall be replaced with references to "RepoClear Contribution".~~

~~Only General Clearing Members shall be entitled to vote in a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement in relation to an~~

~~amendment which affects exclusively any one or combination of: (i) the EquityClear Fund Amount; (ii) the Exchange Fund Amount; (iii) the nature of the liabilities for which a General Clearing Member's indemnity is given by virtue of paragraph (b) of Rule 28; or (iv) any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the General Clearing Members but not in the commitments of any other Clearing Members. As a result, for the purposes of a ballot conducted under clauses 9.4 and 9.5 of the Clearing Membership Agreement other than a Cross-Service Ballot, references to "Clearing Members" shall not include RCMs who are not also General Clearing Members and RepoClear Contributions shall not count as "Contributions".~~

~~For the purposes of this paragraph (c) of this Rule R12, a "Cross-Service Ballot" shall mean: (i) a ballot in relation to an amendment which represents a significant change in the commitments of all of the Clearing Members of the Clearing House or of a significant section of such Clearing Members of the Clearing House who are so categorised together, irrespective of and independently from, the Services which they clear; and, as such (ii) a ballot which falls within paragraph (c) of clause 9.5 of the Clearing Membership Agreement (because, in the opinion of the Board of Directors of the Clearing House, it is an amendment which "would represent a significant change in the commitments of... a significant section of the Clearing Members") but does not fall within paragraph (a)(iii) of Rule F12, paragraph (a)(iii) of Rule S12 and/or paragraph (a)(ii) of this Rule R12 (because the relevant section of the Clearing Members is not restricted to Clearing Members acting in the capacity of Clearing Members in ForexClear, SwapClear and/or RepoClear).~~

**~~Commodities Default Fund Supplement~~**

**SCHEDULE 8**  
**EQUITIES DEFAULT FUND SUPPLEMENT**

E1. In this Supplement, subject to any contrary indication or where the context otherwise requires, references to:

the "Business" means the Equities Business of a Member

a "Contract" means an EquityClear Contract, an Equities Contract, a contract cleared pursuant to a Service and such other cash equity or equity derivative contract as the Clearing House may from time to time specify by notice to the Members

a "Contribution" means an Equities Contribution

the "Default Fund" means the fund established by this Equities Default Fund Supplement

a "Determination Date" means an Equities Determination Date

the "Excess Loss" means the Equities Excess Loss

the "Fund Amount" means the Equities Fund Amount

a "Member" means an Equities Clearing Member and a Clearing Member approved to clear a Specified Market and except where stated otherwise, includes a Co-operating Clearing House

a "Minimum Contribution" means GBP 500,000

a "Non-Defaulting Clearing Member" means a Member that is not a Defaulter under Rule 4 of the Default Rules

"Service" means equities and equities-related services provided by the Clearing House pursuant to its rules governing the clearing of the Specified Markets and includes the Equities Service

"Specified Markets" means an EquityClear ATP, the TGHL market and any other markets from time to time specified by the Clearing House

and calculations of "Combined Loss Value", "End of Day Margin Weight", "Peak Intra-Day Margin Weight", "STLIEOM" and "Weight Factor" are carried out in accordance with this Supplement only.

Capitalised terms not otherwise defined in this Supplement shall have the meanings assigned to them in the General Regulations or the Default Rules, as applicable.

E2. Fund Amount

(a) The Default Fund is denominated in pounds sterling ("GBP"), and all amounts referable to it shall be denominated, calculated, called and payable in GBP.

- (b) On each business day, the Clearing House will determine the "Combined Loss Value" in respect of each of the three preceding calendar months. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day. For this purpose, the "STLIEOM" means, in respect of each Member and in respect of any day, the stress-tested loss in excess of initial margin (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that Member's Business if that Member became a Defaulter on that day. References in this Rule E2 to Member include a Co-operating Clearing House and the STLIEOM of a Co-operating Clearing House is included in the calculations under this Rule E2.
- (c) The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "Determination Date") in accordance with this Rule.
- (i) The Fund Amount is, for a given Determination Date, the largest of the Combined Loss Values as determined during the three calendar month period under paragraph (b) above, plus 10 per cent., subject to the following provisions of this Rule.
- (ii) On any Determination Date, if the Fund Amount as determined under paragraph (c)(i) above would be lower than three times the Minimum Contribution, the Fund Amount will be deemed to be three times the Minimum Contribution (the "Fund Floor").
- (iii) On any Determination Date, if the Fund Amount as determined would exceed GBP 150,000,000, the Fund Amount will be deemed to be GBP 150,000,000 unless the Risk Committee of the Clearing House has resolved that an increase in the Fund Amount is warranted, in which case the Fund Amount shall be as determined by the Risk Committee.
- (iv) In the case of a Default in relation to which the Clearing House does not apply Contributions under Rule 19 or Rule 21 of the Default Rules, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the completion of the management of such Default. Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.

In the case of any Default in relation to which the Clearing House applies Contributions under Rule 19 or Rule 21 of the Default Rules, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the expiry of the Cooling Off Period under Rule E7. Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.

E3. Contributions to Fund

- (a) The amount of each Member's Contribution shall be determined by the Clearing House on each Determination Date on the basis of information available as at close of business on the immediately preceding business day and notified to such Member as soon as practicable after such determination in accordance with the Procedures. However, determinations of Contributions under the methodology of this Rule are suspended after the occurrence of a Default in accordance with paragraph (c)(iv) of Rule E2.
- (b) A Member's Contribution shall be determined with reference to business conducted by it on the Specified Markets in Contracts as follows:
- (i) the Member's "End of Day Margin Weight" shall be calculated by dividing the average daily initial margin obligation at the end of each day (as calculated under the Procedures or other arrangements applicable) which has applied to the Member during the Reference Period in respect of all Contracts by the total of such average daily obligations applied to all Members other than Defaulters;
- (ii) the Member's "Peak Intra-Day Margin Weight" shall be calculated by dividing the average maximum intra-day initial margin obligation arising at any point during each day during the Reference Period (as calculated under the Procedures or other arrangements applicable) which has applied to the Member in respect of all Contracts by the total of such average maximum intra-day obligations applied to all Members other than Defaulters;
- (iii) the Member's "Weight Factor" shall be calculated by adding one-half of its End of Day Margin Weight to one-half of its Peak Intra-Day Margin Weight.

and the Member's Contribution shall be the amount arrived at by multiplying the Fund Amount by the Member's Weight Factor, provided that (x) if the amount calculated for a particular Member pursuant to the foregoing would, when aggregated with the Contributions of all other Members, produce a Fund Amount that is in excess of that permitted under paragraph (c)(iii) of Rule E2, then such excess amount, as calculated by the Clearing House, shall be iteratively notionally allocated to such Member *pro rata* to its Contribution as originally calculated and such proportionate excess shall be deducted from the amount originally calculated and the Member's Contribution shall be adjusted accordingly; and provided further that (y) in no case shall a Member's Contribution be less than the Minimum Contribution (notwithstanding that the Fund Amount may, taking into account all Contributions as adjusted in accordance with the provisos to this paragraph, exceed the level specified in paragraph (c)(iii) of Rule E2).

For the purposes of these calculations:

- (iv) "Reference Period" means the period of three calendar months immediately before the Determination Date;



- (v) references to "Members" do not include references to Defaulters (apart from any Defaulter in respect of which the Clearing House permits the application of this Rule) or persons which were formerly Members but are not Members on the date on which the relevant calculation is made;
- (vi) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and
- (vii) no account shall be taken, in calculating initial margin or Margin Weight under this paragraph (b) of any offsets applied in calculating the initial margin obligation imposed on Members in respect of Contracts, which may otherwise be permissible under the Procedures or other arrangements applicable.
- (c) Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of:

  - (i) the Minimum Contribution; and
  - (ii) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.
- (d) Except to the extent that the cap specified in paragraph (c)(iii) of Rule E2 would be exceeded, the Clearing House may recalculate the Contributions due from certain Members on any business day other than one falling between the application of a Contribution and the end of the Cooling Off Period, as set out at Rule E7, in the following circumstances:

  - (i) if the Combined Loss Value determined under paragraph (b) of Rule E2 on that day deviates by more than 25 per cent. upwards or downwards from the Combined Loss Value on which the previous Contribution determination was based, on such business day, the Clearing House shall be entitled to make an adjustment upwards or downwards to the Fund Amount commensurate with the deviation;
  - (ii) where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates.
- (e) A Co-operating Clearing House is not required to contribute to the Default Fund and references in this Rule E3 to a Member do not include a Co-operating Clearing House.

#### E4. Interest on Contributions

On each day interest shall accrue on the amount of each Contribution held by the Clearing House, to the extent that it has not been applied under Rule 19 or Rule 21 of the Default Rules, at such rate and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a market-recognised benchmark rate plus or minus a spread. Such rate and such spread shall be determined, in light of market conditions at such time, by the Clearing House from

time to time and notified by the Clearing House to Members. Interest on Contributions shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. Any interest which has accrued under this Rule shall not be regarded as part of a Contribution. References in this Rule E4 to a Member do not include a Co-operating Clearing House.

#### E5. Payment of Contributions

- (a) Upon determination of the amount of a Contribution on a Determination Date:
- (i) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date exceeds the amount of the Member's Contribution as determined on the Determination Date, the excess shall be paid by the Clearing House to the Member in accordance with the Procedures;
  - (ii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is the same as the amount of the Member's Contribution as determined on the Determination Date, no sum shall then be payable by or to the Member in respect of its Contribution; and
  - (iii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is less than the amount of the Member's Contribution as determined on the Determination Date, the shortfall shall be paid by the Member to the Clearing House in accordance with the Procedures.
- (b) The provisions of this Rule do not apply to a Member which is a Defaulter, unless the Clearing House so requires in any particular case.
- (c) References in this Rule E5 to a Member do not include a Co-operating Clearing House.

#### E6. Unfunded Contributions

- (a) On any business day after the occurrence of a Default, if the Clearing House determines that by reason of reduction in accordance with Rule E7, (i) the Fund Amount (minus any Contribution of the Defaulter) has been reduced by at least 25 per cent., or (ii) by the time of issue of a Default Management Completion Notice in relation to that Default the Fund Amount will have been so reduced, the Clearing House may, by notice in writing (each an "**Unfunded Contribution Notice**"), require each Non-Defaulting Clearing Member to deposit and maintain an amount (each an "**Unfunded Contribution**") in accordance with this Rule.
- (b) Unfunded Contributions will only be payable in circumstances where the relevant Unfunded Contribution Notice is delivered by the Clearing House to Members before a Default Management Completion Notice in relation to the relevant Default.

- (c) The amount of an Unfunded Contribution payable by a Member in respect of a Default shall be payable *pro rata* by reference to the proportion which that Member's Contribution bears to the aggregate of Contributions of all Non-Defaulting Clearing Members, and shall not exceed the value of the Contribution of that Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.
- (d) Following the payment of an Unfunded Contribution in accordance with paragraphs (a), (b) and (c) of Rule E6, the Clearing House may, by the delivery of one or more further Unfunded Contribution Notices, require each Non-Defaulting Clearing Member to pay one or more further Unfunded Contributions in respect of the same Default, provided that the total value of the Unfunded Contributions payable by any Member in respect of a particular Default may not exceed the value of the Contribution of such Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.
- (e) Following a Default in respect of which Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided that Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first Unfunded Contribution Notice in respect of the First Default).
- (f) Members shall deposit the full amount of each Unfunded Contribution (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of an Unfunded Contribution Notice.

For the avoidance of doubt, references to "Members" for the purposes of this Rule: (i) include any Member (other than a Defaulter) who is a Retiring Member but whose status as a Member has not yet been terminated; (ii) include any Member (other than a Defaulter) who is a Resigning Member whose resignation from the Service is not yet effective; and (iii) do not include a Co-operating Clearing House.

#### E7. Cooling Off and Replenishment of Fund

- (a) This Rule applies where, after a Default, the Clearing House has applied part or all of a Contribution under Rule 19 or Rule 21 of the Default Rules. Upon such application the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and (subject to the following provisions of this Rule) the amount of the Contribution that each Member must maintain with the Clearing House shall be reduced by the amount of its Contribution which has been applied pursuant to Rule 21 of the Default Rules, in each case until the next Determination Date. Unless and until the Clearing House has repaid a Defaulter's Contribution, the Fund Amount shall be treated as having been reduced by the amount of the Defaulter's Contribution (if any) regardless of whether the Clearing House has applied part or all of that Contribution under Rule 19 of the Default Rules.

- (b) If following the issuance of a notice to the effect that it has completed the management of a Default (a "Default Management Completion Notice") the aggregate amount of Fund Amount determined in accordance with paragraph (a) of this Rule E7 is less than the Fund Floor, the Clearing House may notify each Non-Defaulting Clearing Member that it is required to make a Supplementary Contribution until the next Determination Date, based on the proportion that the value of its Contribution as at the last Determination Date prior to the date when the relevant Default occurred bears to the value of the aggregate Contributions of all Non-Defaulting Clearing Members as at such date, so as to maintain the Fund Amount at no less than the Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.
- (c) For a further period (a "Cooling Off Period") of 30 calendar days from (and including) any day on which the Clearing House has issued a Default Management Completion Notice after an application pursuant to Rule 19 or Rule 21 of the Default Rules, calculation of the Fund Amount and the Contributions of Members in accordance with Rule E3 shall be suspended.
- (d) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.
- (e) Notwithstanding Rule 25 of the Default Rules, if a Member which is not a Defaulter notifies the Clearing House within two business days after the issue of a Default Management Completion Notice that it wishes to resign from the Service: assuming all other requirements for termination of its membership have been satisfied by the end of the Cooling Off Period, such Member shall cease to be treated as a Member for the purpose of Rule E3 on the next Determination Date, and its Contribution shall (unless utilised in the interim in accordance with Rule 21 of the Default Rules) be repaid by the Clearing House following that Determination Date in accordance with the Procedures. A Member which has notified its wish to resign remains liable under Rule E8 until the effective date of its resignation.
- (f) The first business day after a Cooling Off Period shall exceptionally be a Determination Date; and the Fund Amount determined on such exceptional Determination Date shall remain in effect until the first business day of the next calendar month.
- (g) There may not be more than three exceptional Determination Dates of the type described in (f) above in any period of six months.
- (h) References in this Rule E7 to a Member do not include a Co-operating Clearing House.

#### E8. Loss Allocation

- (a) At any time after a Default, the Clearing House may determine that the Excess Loss resulting from the Default will exceed the resources available to be applied to it under Rules 15(a) to (g) of the Default Rules. If the Clearing House makes such a determination then the Clearing House may implement

the process (the "Loss Distribution Process") described in this Rule E8 in order to mitigate the LCH Uncovered Loss. For these purposes, the difference between the Excess Loss as determined by the Clearing House on that day and such resources remaining available on that day shall be the "LCH Uncovered Loss".

(b) Definitions and interpretation

In this Rule E8, references to a Member do not include a Co-operating Clearing House and the following definitions apply:

"Loss Distribution Day" means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for Collateral in respect of margin on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"Loss Distribution Period" means the period from, but excluding, the day on which a Default occurs with respect to a Member to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.

(c) Loss Distribution Charges

(i) On each Loss Distribution Day, each Non-Defaulting Clearing Member shall pay to the Clearing House a "Loss Distribution Charge" which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Member's Contribution bears to the aggregate of the Contributions of all Non-Defaulting Clearing Members, provided that the cumulative total of all such Loss Distribution Charges that a Non-Defaulting Clearing Member is required to pay in respect of all Loss Distribution Days relating to that Default shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting Clearing Member, and provided such Loss Distribution Charge shall also include any liquidity amounts. For this purpose, "Loss Distribution Cap Amount" means an amount equal to the Contribution of such Member as calculated at the last Determination Date (disregarding any Determination Date arising after the Default occurred). For the purposes of this Rule E8, "liquidity amounts" means the gross amount paid or payable for borrowed or purchased assets solely to enable the physical settlement of Contracts.

(ii) Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.

(d) Application of Loss Distribution Charges

Apart from liquidity amounts used to effect physical settlement in accordance with paragraph (c)(i) of Rule E8, the Clearing House shall apply all other payments it receives in respect of Loss Distribution Charges solely for the purposes of meeting any loss incurred by the Clearing House in relation to the Defaulter's Contracts.

(e) No Rebate

- (i) Subject to paragraph (e)(ii) of Rule E8, Rule E9 and paragraph (c) of Rule E10, the payment to the Clearing House by any Member of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.
- (ii) Following the issuance of a Default Management Completion Notice, surplus amounts of Loss Distribution Charges comprising liquidity amounts for physical settlement shall, in the case of a Retiring Member or a Resigning Member, be returned to such Member, and, in the case of other Members, be set off against a Member's Contribution (provided any surplus liquidity amounts in excess of the Contribution shall be returned to such Member), in both cases, *pro rata* by reference to the proportion which the Loss Distribution Charge paid by the relevant Member bears to the aggregate of Loss Distribution Charges paid by all Non-Defaulting Clearing Members.

(f) Ballot

If on a Loss Distribution Day, the LCH Uncovered Loss exceeds the aggregate amount of Loss Distribution Charges which the Clearing House may be entitled to receive under paragraph (c), the Clearing House may seek approval of Non-Defaulting Clearing Members for a proposal to increase the Loss Distribution Cap Amount for the purposes of the relevant Default to an amount beyond that specified in paragraph (c). Approval shall only be treated as given if, in a ballot: (i) at least 95 per cent. by number (rounding fractions upwards to the next 5 per cent.) of Members eligible to vote have voted, and no Member which has voted has voted against the proposal; or (ii) in the event that there are more than two but fewer than 20 Members, no more than one Member eligible to vote has voted against the proposal.

E9. Application of Recoveries

- (a) The Clearing House will apply any recovery, first to the reimbursement of payers of Loss Distribution Charges, and then to reimburse any Members or other persons to whom recourse has been made under Rules 15(d) to (g) of the Default Rules, but in reverse order to that in which they appear in Rule 15. In relation to payers of Loss Distribution Charges, any partial recovery will be distributed *pro rata* to the aggregate payments made by those payers. For the purposes of this Rule, a recovery comprises:
- (i) any amounts received from the Defaulter as a result of the Clearing House being a creditor of the Defaulter in respect of the Business of such Defaulter in the context of the occurrence of any of the events under Rules 5(i) to (p) of the Default Rules in respect of the Defaulter or otherwise, other than in respect of sums due to the Clearing House for its own account; or



(ii) any other amounts howsoever obtained or recovered in the course of the management of the Default or which are otherwise referable to the Default or the Defaulter,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the Defaulter in connection with the Service.

(b) Nothing in this Rule E9 shall oblige the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

(c) If a Contribution made by a Defaulter to another default fund of the Clearing House has been applied to losses in respect of Contracts registered to an account of the Defaulter, any amounts recovered shall be applied pari passu as between the relevant default funds.

(d) References in this Rule E9 to a Member do not include a Co-operating Clearing House.

#### E10. Service Closure

(a) Where, after the Default of one or more Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rules 15(a) to (g) of the Default Rules and the availability of the Loss Distribution Process under Rule E8, the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of Contracts to which it is party with Non-Defaulting Clearing Members, the Clearing House shall make a further determination (an "**Insufficient Resources Determination**") that the Clearing House does not have sufficient available resources under Rules 15(a) to (g) of the Default Rules and via the Loss Distribution Process under Rule E8 to meet its obligations and liabilities arising in respect of those Contracts to which it is party with Non-Defaulting Clearing Members, and the provisions of this Rule shall have effect.

(b) All outstanding Contracts shall be closed out as of the business day following the date of the Insufficient Resources Determination and any further obligations to make any payments under or in respect of such Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin obligation for the position to be closed out.

(c) On the basis of the close out values established for each outstanding Contract, an account shall be taken (as at the time of close out) of what is due, in respect of each Member, from that Member to the Clearing House and from the Clearing House to that Member, as well as all other amounts owing under or in respect of such Contracts and any other amounts that may be due in respect of the Service (including for these purposes, a proportionate share of any

amounts owed generally to or from the Clearing House), and the sums due from the Member shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. Amounts due in respect of such Contracts shall include, but shall not be limited to, returns of cash Collateral provided in respect of variation margin associated therewith and returns of Loss Distribution Charges, but shall exclude the repayment of any cash Collateral provided to the Clearing House in respect of initial margin or any Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by Members (including Co-operating Clearing Houses) plus all of those other resources applicable to the Service under Rules 15(a) to (g) of the Default Rules that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Members (including Co-operating Clearing Houses) by the Clearing House, each amount owed to Members by the Clearing House shall be reduced *pro rata* the shortfall. For the avoidance of doubt, no amount owed by the Clearing House to a Co-operating Clearing House is to be reduced pursuant to this paragraph (c).

- (d) The Clearing House shall determine any amounts due to each Member in respect of the repayment of cash Collateral provided in respect of initial margin obligations and outstanding Contributions to be repaid. The claim of each such Member in respect of the foregoing shall be limited to a *pro rata* share of the assets available to the Clearing House to satisfy those amounts.
- (e) For each Member, the amount due to it or due from it as determined pursuant to (c) above shall be aggregated with its claim determined pursuant to (d) above and only the net sum shall be payable. Where the result of such calculations is that a Member owes an amount to the Clearing House, that Member shall pay that amount to the Clearing House immediately. Where the result of such calculations is that a Member is owed an amount by the Clearing House, the Clearing House shall pay that amount to the Member immediately, subject to (g) below.
- (f) The payment of such amount to a Member pursuant to (e) above, subject to any re-calculations performed pursuant to (g) below, shall constitute the full and final payment in respect of the Service and such Member shall not be permitted to make any further claims on the Clearing House in respect of amounts relating to the Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation 45 (*Netting*) for a failure to pay any amounts in relation to the Service.
- (g) The Clearing House may make the payments due under (e) above in one or more instalments to the Members in proportion to the value of their claims on the Clearing House under (c) above if some but not all of the amounts due under (e) above or Rules 15(a) to (g) of the Default Rules have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to Members in accordance with this Rule.



- (h) This Rule shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation 45 (Netting).
- (i) Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral provided by a Member in respect of its initial margin obligations pursuant to the Regulations and Procedures.
- (j) Except for references to Non Defaulting Clearing Members in paragraph (a) above, and except where otherwise stated, references in this Rule E10 to a Member do not include a Co-operating Clearing House.

**SCHEDULE 9**  
**COMMODITIES DEFAULT FUND SUPPLEMENT**

C1. In this Supplement, subject to any contrary indication or where the context otherwise requires, references to:

the "**Business**" means the Commodities Business of a Member

a "**Contract**" means a Commodities Contract, a contract cleared pursuant to a Service and such other commodities or commodity-related contract as the Clearing House may from time to time specify by notice to the Members

a "**Contribution**" means a Commodities Contribution

the "**Default Fund**" means the fund established by this Commodities Default Fund Supplement

a "**Determination Date**" means a Commodities Determination Date

the "**Excess Loss**" means the Commodities Excess Loss

the "**Fund Amount**" means the Commodities Fund Amount

a "**Member**" means a Commodities Clearing Member and a Clearing Member approved to clear a Specified Market

a "**Minimum Contribution**" means USD 750,000

a "**Non-Defaulting Clearing Member**" means a Member that is not a ~~e~~Defaulter under Rule ~~4~~4 of the Default Rules

"**Service**" means the commodities and commodity-related services provided by the Clearing House pursuant to its rules governing the clearing of the Specified Markets and includes the Commodities Service

"**Specified Markets**" means Nodal, LME and any other markets from time to time specified by the Clearing House, and includes the market in Contracts registered with the Clearing House pursuant to the LCH EnClear OTC service

and calculations of "**Combined Loss Value**", "**End of Day Margin Weight**", "**Peak Intra-Day Margin Weight**", "**STLIEOM**" and "**Weight Factor**" are carried out in accordance with this Supplement only.

Capitalised terms not otherwise defined in this Supplement shall have the meanings assigned to them in the General Regulations, ~~Rule 15 of or~~ the Default ~~Fund Rules or Rule 15A of the Default Fund~~ Rules, as applicable.

C2. **Fund Amount**

(a) The Default Fund is denominated in United States dollars ("USD;"), and all amounts referable to it shall be denominated, calculated, called and payable in USD.

- (b) On each business day, the Clearing House will determine the "**Combined Loss Value**" in respect of each of the three preceding calendar months. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day. ~~On each business day, the Clearing House will determine the "Combined Loss Value" in respect of each of the three preceding calendar months. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day.~~ For this purpose, the "STLIEOM" means, in respect of each Member and in respect of any day, the stress-tested loss in excess of initial margin (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that Member's Business if that Member became a ~~d~~Defaulter on that day.
- (c) ~~The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "Determination Date") in accordance with this Rule. The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "Determination Date") in accordance with this Rule.~~
- i(i) The Fund Amount is, for a given Determination Date, the largest of the Combined Loss Values as determined during the three calendar month period under ~~Rule C2(b)~~, paragraph (b) of Rule C2, plus 10%, per cent., subject to the following provisions of this Rule.
- ii(ii) On any Determination Date, if the Fund Amount as determined under ~~Rule C2(e)(i)~~ paragraph (c)(i) of Rule C2 would be lower than three times the Minimum Contribution, the Fund Amount will be deemed to be three times the Minimum Contribution (the "**Fund Floor**").
- iii(iii) On any Determination Date: ~~(a)~~, if the Fund Amount as determined would exceed USD 1,500,000,000, the Fund Amount will be deemed to be USD 1,500,000,000 unless the Risk Committee of the Clearing House has resolved that an increase in the Fund Amount is warranted, in which case the Fund Amount shall be as determined by the Risk Committee; ~~(b) if the Fund Amount as determined would exceed USD 2,500,000,000, the Fund Amount will be deemed to be USD 2,500,000,000, notwithstanding any determination by the Risk Committee, unless an increase has been approved by ballot in accordance with Rule C11.~~
- (iv) In the case of a Default in relation to which the Clearing House does not apply Contributions under Rule ~~26~~19 or Rule ~~28~~21 of the Default Rules, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the completion of the management of such Default. Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.

~~iv(i) Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.~~

In the case of any Default in relation to which the Clearing House applies Contributions under Rule ~~26~~19 or Rule ~~28~~21 of the Default Rules, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the expiry of the Cooling Off Period under Rule C7. Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.

~~C7. Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.~~

### C3. Contributions to Fund

(a) The amount of each Member's Contribution shall be determined by the Clearing House on each Determination Date on the basis of information available as at close of business on the immediately preceding business day and notified to such Member as soon as practicable after such determination in accordance with the Procedures. However, determinations of Contributions under the methodology of this Rule are suspended after the occurrence of a Default in accordance with ~~Rule C2(e)(iv)~~ paragraph (c)(iv) of Rule C2.

(b) A Member's Contribution shall be determined with reference to business conducted by it on the Specified Markets in Contracts as follows:

i(i) the Member's "**End of Day Margin Weight**" shall be calculated by dividing the average daily initial margin ~~requirement~~obligation at the end of each day (as calculated under the Procedures or other arrangements applicable) which has applied to the Member during the Reference Period in respect of all Contracts by the total of such average daily ~~requirements~~obligations applied to all Members other than ~~d~~DDefaulters;

ii(ii) the Member's "**Peak Intra-Day Margin Weight**" shall be calculated by dividing the average maximum intra-day initial margin ~~requirement~~obligation arising at any point during each day during the Reference Period (as calculated under the Procedures or other arrangements applicable) which has applied to the Member in respect of all Contracts by the total of such average maximum intra-day ~~requirements~~obligations applied to all Members other than ~~d~~DDefaulters;

iii(iii) the Member's "**Weight Factor**" shall be calculated by adding one-half of its End of Day Margin Weight to one-half of its Peak Intra-Day Margin Weight,

and the Member's Contribution shall be the amount arrived at by multiplying the Fund Amount by the Member's Weight Factor, provided that (x) if the amount calculated for a particular Member pursuant to the foregoing would, when aggregated with the Contributions of all other Members, produce a Fund Amount that is in excess of that permitted under ~~Rule C2(e)(iii); paragraph (c)(iii) of Rule C2,~~ then such excess amount, as calculated by the Clearing House, shall be iteratively notionally allocated to such Member *pro rata* to its Contribution as originally calculated and such proportionate excess shall be deducted from the amount originally calculated and the Member's Contribution shall be adjusted accordingly; and provided further that (y) in no case shall a Member's Contribution be less than the Minimum Contribution (notwithstanding that the Fund Amount may, taking into account all Contributions as adjusted in accordance with the provisos to this paragraph, exceed the level specified in ~~Rule C2(e)(iii); paragraph (c)(iii) of Rule C2).~~

~~For the purposes of these calculations:~~

~~iv(i) "Reference Period" means the period of three calendar months immediately before the Determination Date;~~

For the purposes of these calculations:

(iv) "Reference Period" means the period of three calendar months immediately before the Determination Date;

~~v(v)~~ v(v) references to "Members" do not include references to ~~d~~Defaulters (apart from any ~~d~~Defaulter in respect of which the Clearing House permits the application of this Rule) or persons which were formerly Members but are not Members on the date on which the relevant calculation is made;

~~vi(vi)~~ vi(vi) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand dollars; and

~~vii(vii)~~ vii(vii) no account shall be taken, in calculating ~~the~~ initial margin or Margin ~~requirement~~ Weight under this ~~Rule C3(b) paragraph (b)~~ of any offsets applied in calculating the initial margin required obligation for Members in respect of Contracts from a Member, which may otherwise be permissible under the Procedures or other arrangements applicable.

(c) Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of:

i(i) the Minimum Contribution; and

ii(ii) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.

(d) Except to the extent that ~~one or other of~~ the caps specified in ~~Rule C2(e)(iii)~~ paragraph (c)(iii) of Rule C2 would be exceeded, the Clearing House may recalculate the Contributions due from certain Members on any business day other than one falling between the application of a Contribution and the end of the Cooling Off Period, as set out at ~~Rule C7~~ C7, in the following circumstances:

i(i) if the Combined Loss Value determined under ~~Rule C2(b)~~ paragraph (b) of Rule C2 on that day deviates by more than 25% per cent. upwards or downwards from the Combined Loss Value on which the previous Contribution determination was based, on such business day, the Clearing House shall be entitled to make an adjustment upwards or downwards to the Fund Amount commensurate with the deviation;

~~ii(ii) where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates, where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates.~~

#### C4. Interest on Contributions

On each day interest shall accrue on the amount of each Contribution ~~then~~ held by the Clearing House, to the extent that it has not been applied under ~~Rule 26 or Rule 2819~~ or Rule 21 of the Default Rules, at such rate and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a market-recognised benchmark rate plus or minus a spread. Such rate and such spread shall be determined, in light of market conditions at such time, by the Clearing House from time to time and notified by the Clearing House to Members. Interest on Contributions shall be payable in arrear and shall be paid on the date or dates specified by the Procedures. Any interest which has accrued under this Rule shall not be regarded as part of a Contribution.

#### C5. Payment of Contributions

(a) Upon determination of the amount of a Contribution on a Determination Date:

i(i) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date exceeds the amount of the Member's Contribution as determined on the Determination Date, the excess shall be paid by the Clearing House to the Member in accordance with the Procedures;

ii(ii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is the same as the amount of the Member's Contribution as determined on the Determination Date, no sum shall then be payable by or to the Member in respect of its Contribution; and

iii(iii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is less than the amount of the Member's Contribution as determined on the

Determination Date, the shortfall shall be paid by the Member to the Clearing House in accordance with the Procedures.

- (b) The provisions of this Rule do not apply to a Member which is a ~~d~~Defaulter, unless the Clearing House so requires in any particular case.

#### C6. **Unfunded Contributions**

- (a) On any business day after the occurrence of a Default, if the Clearing House determines that by reason of reduction in accordance with Rule ~~C7,C7~~, (i) the Fund Amount (minus any Contribution of the ~~d~~Defaulter) has been reduced by at least 25%~~, per cent.~~, or (ii) by the time of issue of a Default Management Completion Notice in relation to that Default the Fund Amount will have been so reduced, the Clearing House may, by notice in writing (each an "**Unfunded Contribution Notice**"), require each Non-Defaulting Clearing Member to deposit and maintain an amount (each an "**Unfunded Contribution**") in accordance with this Rule.
- (b) Unfunded Contributions will only be payable in circumstances where the relevant Unfunded Contribution Notice is delivered by the Clearing House to Members before a Default Management Completion Notice in relation to the relevant Default.
- (c) The amount of an Unfunded Contribution payable by a Member in respect of a Default shall be payable *pro rata* by reference to the proportion which that Member's Contribution bears to the aggregate of Contributions of all Non-Defaulting Clearing Members, and shall not exceed the value of the Contribution of that Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.
- (d) Following the payment of an Unfunded Contribution in accordance with ~~Rule C6(a), (b)~~ paragraphs (a), (b) and ~~(e), (c)~~ of Rule C6, the Clearing House may, by the delivery of one or more further Unfunded Contribution Notices, require each Non-Defaulting Clearing Member to pay one or more further Unfunded Contributions in respect of the same Default, provided that the total value of the Unfunded Contributions payable by any Member in respect of a particular Default may not exceed the value of the Contribution of such Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.
- (e) Following a Default in respect of which Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided that Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first Unfunded Contribution Notice in respect of the First Default).
- (f) Members shall deposit the full amount of each Unfunded Contribution (without exercising any rights of set-off or counterclaim) with the Clearing



House on the business day following the receipt of an Unfunded Contribution Notice.

For the avoidance of doubt, references to "Members" for the purposes of this Rule include any Member (other than a ~~e~~Defaulter) who is: (i) a Retiring Member but whose status as a Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the Service is not yet effective.

#### C7. **Cooling Off and Replenishment of Fund**

(a) This Rule applies where, after a Default, the Clearing House has applied part or all of a Contribution under Rule ~~2619~~ or Rule ~~28.21 of the Default Rules~~. Upon such application the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and (subject to the following provisions of this Rule) the amount of the Contribution that each Member must maintain with the Clearing House shall be reduced by the amount of its Contribution which has been applied pursuant to Rule ~~2821 of the Default Rules~~, in each case until the next Determination Date. Unless and until the Clearing House has repaid a ~~e~~Defaulter's Contribution, the Fund Amount shall be treated as having been reduced by the amount of the ~~e~~Defaulter's Contribution (if any) regardless of whether the Clearing House has applied part or all of that Contribution under Rule ~~2619 of the Default Rules~~.

(b) If following the issuance of a notice to the effect that it has completed the management of a Default (a "**Default Management Completion Notice**") the aggregate amount of Fund Amount determined in accordance with paragraph (a) of this Rule ~~E7E7~~ is less than the Fund Floor, the Clearing House may notify each Non Defaulting Clearing Member that it is required to make a ~~s~~Supplementary Contribution until the next Determination Date, based on the proportion that the value of its Contribution as at the last Determination Date prior to the date when the relevant Default occurred bears to the value of the aggregate Contributions of all Non-Defaulting Clearing Members as at such date, so as to maintain the Fund Amount at no less than the Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.

(c) For a further period (a "**Cooling Off Period**") of 30 calendar days from (and including) any day on which the Clearing House has issued a Default Management Completion Notice after an application pursuant to Rule ~~2619~~ or Rule ~~2821 of the Default Rules~~, calculation of the Fund Amount and the Contributions of Members in accordance with Rule ~~C3C3~~ shall be suspended.

(d) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.

~~(a) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.~~

(e) Notwithstanding Rule ~~3325 of the Default Rules~~, if a Member which is not a ~~e~~Defaulter notifies the Clearing House within two business days after the issue



of a Default Management Completion Notice that it wishes to resign from the Service: assuming all other requirements for termination of its membership have been satisfied by the end of the Cooling Off Period, such Member shall cease to be treated as a Member for the purpose of Rule ~~€3C3~~ on the next Determination Date, and its Contribution shall (unless utilised in the interim in accordance with Rule ~~2821 of the Default Rules~~) be repaid by the Clearing House following that Determination Date in accordance with the Procedures. A Member which has notified its wish to resign remains liable under Rule ~~€8C8~~ until the effective date of its resignation.

- (f) The first business day after a Cooling Off Period shall exceptionally be a Determination Date; and the Fund Amount determined on such exceptional Determination Date shall remain in effect until the first business day of the next calendar month.
- (g) There may not be more than three exceptional Determination Dates of the type described in (f) above in any period of six months.

## C8. **Loss Allocation**

- (a) At any time after a Default, the Clearing House may determine that the Excess Loss resulting from the Default will exceed the resources available to be applied to it under ~~Rule 16~~(Rules 15(a) to (g)) of the Default Rules. If the Clearing House makes such a determination then the Clearing House may implement the process (the "**Loss Distribution Process**") described in this Rule ~~€8C8~~ in order to mitigate the LCH Uncovered Loss. For these purposes, the difference between the Excess Loss as determined by the Clearing House on that day and such resources remaining available on that day shall be the "LCH Uncovered Loss".

### (b) Definitions

In this Rule ~~€8,C8~~, the following definitions apply:

"**Loss Distribution Day**" means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for Collateral in respect of margin ~~obligations in accordance with the provisions of the Procedures~~ on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"**Loss Distribution Period**" means the period from, but excluding, the day on which a Default occurs with respect to a Member to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.

### (c) Loss Distribution Charges

- (i) On each Loss Distribution Day, each Non-Defaulting Clearing Member shall pay to the Clearing House a "**Loss Distribution Charge**" which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Member's Contribution bears to the aggregate of the Contributions

of all Non-Defaulting Clearing Members, provided that the cumulative total of all such Loss Distribution Charges that a Non-Defaulting Clearing Member is required to pay in respect of all Loss Distribution Days relating to that Default shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting Clearing Member. For this purpose, "**Loss Distribution Cap Amount**" means an amount equal to the Contribution of such Member as calculated at the last Determination Date (disregarding any Determination Date arising after the Default occurred).

(ii) Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.

Application of Loss Distribution Charges ~~Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.~~

~~Application of Loss Distribution Charges~~

(d)

The Clearing House shall apply all payments it receives in respect of Loss Distribution Charges solely for the purposes of meeting any loss incurred by the Clearing House in relation to the ~~d~~Defaulter's Contracts.

~~(a) No Rebate~~

(e) No Rebate

Subject to Rule ~~C9~~C9 and paragraph (c) of Rule C10 ~~(e)C10~~ the payment to the Clearing House by any Member of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

(f) Ballot

If on a Loss Distribution Day, the LCH Uncovered Loss exceeds the aggregate amount of Loss Distribution Charges which the Clearing House may be entitled to receive under paragraph (c), the Clearing House may seek approval of Non-Defaulting Clearing Members for a proposal to increase the Loss Distribution Cap Amount for the purposes of the relevant Default to an amount beyond that specified in paragraph (c). Approval shall only be treated as given if, in a ballot: (i) at least 95% per cent. by number (rounding fractions upwards to the next 5% per cent.) of Members eligible to vote have voted, and no Member which has voted has voted against the proposal; or (ii) in the event that there are more than two but fewer than 20 Members, no more than one Member eligible to vote has voted against the proposal.

## C9. Application of Recoveries

(a) The Clearing House will apply any recovery, first to the reimbursement of payers of Loss Distribution Charges, and then to reimburse any Members or

other persons to whom recourse has been made under ~~Rule 16(d)~~ Rules 15(d) to (g), of the Default Rules, but in reverse order to that in which they appear in ~~Rule 16.15~~. In relation to payers of Loss Distribution Charges, any partial recovery will be distributed *pro rata* to the aggregate payments made by those payers. For the purposes of this Rule, a recovery comprises:

- i any amounts received from the ~~d~~Defaulter as a result of the Clearing House being a creditor of the ~~d~~Defaulter in respect of the Business of such ~~d~~Defaulter in the context of the occurrence of any of the events under ~~Rule 5~~ Rules 5(i) to (p) of the Default Rules in respect of the ~~d~~Defaulter or otherwise, other than in respect of sums due to the Clearing House for its own account; or
- ii any other amounts howsoever obtained or recovered in the course of the management of the Default or which are otherwise referable to the Default or the ~~d~~Defaulter,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the ~~d~~Defaulter in connection with the Service.

- b Nothing in this Rule ~~C9~~ shall oblige the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.
- c If a Contribution made by a ~~d~~Defaulter to another default fund of the Clearing House has been applied to losses in respect of Contracts registered to an account of the ~~d~~Defaulter, any amounts recovered shall be applied *pari passu* as between the relevant default funds.

## C10. Service Closure

- a Where, after the Default of one or more Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under ~~Rule 16(a) to (g)~~ Rules 15(a) to (g) of the Default Rules and the availability of the Loss Distribution Process under ~~Rule C8~~, the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of Contracts to which it is party with Non-Defaulting Clearing Members, the Clearing House shall make a further determination (an "**Insufficient Resources Determination**") that the Clearing House does not have sufficient available resources under ~~Rule 16~~ Rules 15(a) to (g) of the Default Rules and via the Loss Distribution Process under ~~Rule C8~~ to meet its obligations and liabilities arising in respect of those Contracts to which it is party with Non-Defaulting Clearing Members, and the provisions of this Rule shall have effect.
- b ~~All outstanding Contracts shall be closed out as of the business day following the date of the Insufficient Resources Determination and any further obligations to make any payments under or in respect of such Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin~~

~~runs in respect of the outstanding Contracts. All outstanding Contracts shall be closed out as of the business day following the date of the Insufficient Resources Determination and any further obligations to make any payments under or in respect of such Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding Contracts.~~ Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin ~~requirement~~obligation for the position to be closed out.

- (c) On the basis of the close out values established for each outstanding Contract, an account shall be taken (as at the time of close out) of what is due, in respect of each Member, from that Member to the Clearing House and from the Clearing House to that Member, as well as all other amounts owing under or in respect of such Contracts and any other amounts that may be due in respect of the Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the Member shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. Amounts due in respect of such Contracts shall include, but shall not be limited to, returns of cash Collateral ~~held by the Clearing House~~provided in respect of ~~the Member's~~ variation margin ~~obligations~~associated therewith and returns of Loss Distribution Charges, but shall exclude the repayment of any cash Collateral ~~held by~~provided to the Clearing House in respect of ~~the Member's~~ initial margin ~~obligations~~ or any Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by Members plus all of those other resources applicable to the Service under ~~Rule 16(a)~~Rules 15(a) to (g) that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Members by the Clearing House, each amount owed to Members by the Clearing House shall be reduced *pro rata* the shortfall.

- ~~(e)~~(d) The Clearing House shall determine any amounts due to each Member in respect of the repayment of cash Collateral ~~held by the Clearing House~~provided in respect of ~~the~~ initial margin obligations ~~of the Member~~ and outstanding Contributions to be repaid. The claim of each such Member in respect of the foregoing shall be limited to a *pro rata* share of the assets available to the Clearing House to satisfy those amounts.

- ~~(f)~~(e) For each Member, the amount due to it or due from it as determined pursuant to (c) above shall be aggregated with its claim determined pursuant to (d) above and only the net sum shall be payable. Where the result of such calculations is that a Member owes an amount to the Clearing House, that Member shall pay that amount to the Clearing House immediately. Where the result of such calculations is that a Member is owed an amount by the Clearing House, the Clearing House shall pay that amount to the Member immediately, subject to (g) below.

- ~~(g)~~(f) The payment of such amount to a Member pursuant to (e) above, subject to any re-calculations performed pursuant to (g) below, shall constitute the full and final payment in respect of the Service and such Member shall not be

permitted to make any further claims on the Clearing House in respect of amounts relating to the Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation ~~39A.45~~ (Netting) for a failure to pay any amounts in relation to the Service.

~~(h)~~(g) The Clearing House may make the payments due under (e) above in one or more instalments to the Members in proportion to the value of their claims on the Clearing House under (c) above if some but not all of the amounts due under (e) above or ~~Rule 16(a) to 16~~Rules 15(a) to (g) of the Default Rules have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to Members in accordance with this Rule.

~~(i)~~(h) This Rule shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation ~~39A.45~~ (Netting).

~~(j)~~(i) Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral ~~transferred~~provided by to ~~it~~a Member in respect of its initial margin obligations pursuant to the Regulations and Procedures.

### Ballot Arrangements

~~No proposal for any of the amendments set out in paragraphs (i), (ii), (iii), or (iv) below (each a "Commodities Default Fund Amendment") shall be capable of coming into effect unless first approved in a ballot of Members:~~

~~any amendment providing for a change in the nature of the liabilities for which a Member's indemnity is given in respect of Commodities Business by virtue of Rule 28;~~

~~any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the Commodities Clearing Members but not in the commitments of any other Members;~~

~~any increase in the maximum size of the Fund Amount for the purposes of Rule C2 beyond USD 2,500,000,000 (or such other level as has been approved in a ballot); and~~

~~any amendment to the amount of the Minimum Contribution or the definition of the Fund Floor.~~

~~For the purposes of a ballot conducted pursuant to this Rule, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:~~

~~the words "major amendment to the Default Fund Rules" in the first line of clause 9.4 of the Clearing Membership Agreement shall be read as "Commodities Default Fund Amendment";~~

~~all references to "Clearing Members" shall be read as references to "Commodities Clearing Members";~~

~~in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Quarter Day" shall be replaced with a reference to Determination Date, as such term is used in the Commodities Default Fund Supplement to the Default Fund Rules;~~

~~references to "Contributions" and "Fund Amount" shall be read in accordance with the Commodities Default Fund Supplement to the Default Fund Rules; and~~

~~the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be construed accordingly.~~

**~~Equities Default Fund Supplement~~**

**SCHEDULE 10**  
**LISTED INTEREST RATE DEFAULT FUND SUPPLEMENT**

L1. In this Supplement, subject to any contrary indication or where the context otherwise requires, references to:

the "**Business**" means the ~~Equities~~Listed Interest Rate Business of a Member

a "**Contract**" means ~~an Equity Clear Contract, an Equities~~ a Listed Interest Rate Contract, a contract cleared pursuant to a Service and such other ~~cash equity or equity~~listed interest rate derivative contract as the Clearing House may from time to time specify by notice to the Members

a "**Contribution**" means ~~an Equities~~ a Listed Interest Rate Contribution

the "**Default Fund**" means the fund established by this ~~Equities~~Listed Interest Rate Default Fund Supplement

a "**Determination Date**" means ~~an Equities~~ a Listed Interest Rate Determination Date

the "**Excess Loss**" means the ~~Equities~~Listed Interest Rate Excess Loss

the "**Fund Amount**" means the ~~Equities~~Listed Interest Rate Fund Amount

a "**Member**" means ~~an Equities~~ a Listed Interest Rate Clearing Member and a Clearing Member approved to clear a Specified Market ~~and except where stated otherwise, includes a Co-operating Clearing House~~

~~a "**Minimum Contribution**" means GBP 500,000~~

a "**Minimum Contribution**" means GBP 500,000

a "**Non-Defaulting Clearing Member**" means a Member that is not a ~~d~~Defaulter under Rule ~~44~~ of the Default Rules

~~"Service" means equities and equities-related services provided by the Clearing House pursuant to its rules governing the clearing of the Specified Markets and includes the Equities Service~~

~~"Specified Markets" means an Equity Clear ATP, the TGHL market and any other markets from time to time specified by the Clearing House~~

~~and calculations of "**Combined Loss Value**", "**End of Day Margin Weight**", "**Peak Intra Day Margin Weight**", "**STLIEOM**" and "**Weight Factor**" are carried out in accordance with this Supplement only.~~ "Service" means the listed interest rate derivatives and listed interest rate derivatives-related services provided by the Clearing House pursuant to its rules governing the clearing of the Specified Markets and includes the Listed Interest Rate Service

"Specified Markets" means NLX and any other markets from time to time specified by the Clearing House



and calculations of "Combined Loss Value", "End of Day Margin Weight", "Peak Intra-Day Margin Weight", "STLIEOM" and "Weight Factor" are carried out in accordance with this Supplement only.

Capitalised terms not otherwise defined in this Supplement shall have the meanings assigned to them in the General Regulations, ~~Rule 15 of or~~ the Default ~~Fund Rules or Rule 15A of the Default Fund~~ Rules, as applicable.

## L2. Fund Amount

(a) The Default Fund is denominated in GBP, and all amounts referable to it shall be denominated, calculated, called and payable in GBP.

(b) ~~On each business day, the Clearing House will determine the "Combined Loss Value" in respect of each of the three preceding calendar months. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day.~~ On each business day, the Clearing House will determine the "Combined Loss Value" in respect of each of the three preceding calendar months. The Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day. For this purpose, the "STLIEOM" means, in respect of each Member and in respect of any day, the stress-tested loss in excess of initial margin (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that Member's Business if that Member became a ~~d~~Defaulter on that day. ~~References in this Rule E2 to Member include a Co-operating Clearing House and the STLIEOM of a Co-operating Clearing House is included in the calculations under this Rule E2.~~

~~The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "Determination Date") in accordance with this Rule.~~

(c) The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "Determination Date") in accordance with this Rule.

i(i) The Fund Amount is, for a given Determination Date, the largest of the Combined Loss Values as determined during the three calendar month period under ~~Rule E2(b);~~ paragraph (b) of Rule L2, plus 10% ~~, per cent.,~~ subject to the following provisions of this Rule.

ii(i) On any Determination Date, if the Fund Amount as determined under ~~Rule E2(e)(i);~~ paragraph (c)(i) of Rule L2 would be lower than three times the Minimum Contribution, the Fund Amount will be deemed to be three times the Minimum Contribution (the "**Fund Floor**").

~~iii~~ (iii) On any Determination Date: ~~(a)~~, if the Fund Amount as determined would exceed GBP ~~150,500,000,000~~, the Fund Amount will be deemed to be GBP ~~150,500,000,000~~ unless the Risk Committee of the Clearing House has resolved that an increase in the Fund Amount is warranted, in which case the Fund Amount shall be as determined by the Risk Committee; ~~(b) if the Fund Amount as determined would exceed GBP 500,000,000, the Fund Amount will be deemed to be GBP 500,000,000, notwithstanding any determination by the Risk Committee, unless an increase has been approved by ballot in accordance with Rule E11.~~

~~iv~~ (i) In the case of a Default in relation to which the Clearing House does not apply Contributions under Rule ~~26 or Rule 2819 or Rule 21 of the Default Rules~~, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the completion of the management of such Default. ~~Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.~~

(iv) Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.

In the case of any Default in relation to which the Clearing House applies Contributions under Rule ~~26 or Rule 2819 or Rule 21 of the Default Rules~~, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the expiry of the Cooling Off Period under Rule ~~E7~~. ~~Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.~~

(v) L7. Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.

### L3. Contributions to Fund

(a) The amount of each Member's Contribution shall be determined by the Clearing House on each Determination Date on the basis of information available as at close of business on the immediately preceding business day and notified to such Member as soon as practicable after such determination in accordance with the Procedures. However, determinations of Contributions under the methodology of this Rule are suspended after the occurrence of a Default in accordance with ~~Rule E2(e)(iv)~~ paragraph (c)(v) of Rule L2.

~~(a) A Member's Contribution shall be determined with reference to business conducted by it on the Specified Markets in Contracts as follows:~~

(b) A Member's Contribution shall be determined with reference to business conducted by it on the Specified Markets in Contracts as follows:

(i) the Member's "**End of Day Margin Weight**" shall be calculated by dividing the average daily initial margin ~~requirement~~obligation at the end of each day (as calculated under the Procedures or other arrangements applicable) which has applied to the Member during the Reference Period in respect of all Contracts by the total of such average daily ~~requirements~~obligations applied to all Members other than ~~d~~DDefaulters;

ii the Member's "**Peak Intra-Day Margin Weight**" shall be calculated by dividing the average maximum intra-day initial margin ~~requirement~~obligation arising at any point during each day during the Reference Period (as calculated under the Procedures or other arrangements applicable) which has applied to the Member in respect of all Contracts by the total of such average maximum intra-day ~~requirements~~obligations applied to all Members other than ~~d~~DDefaulters;

~~iii the Member's "**Weight Factor**" shall be calculated by adding one-half of its End of Day Margin Weight to one-half of its Peak Intra-Day Margin Weight,~~

(iii) the Member's "**Weight Factor**" shall be calculated by adding one-half of its End of Day Margin Weight to one-half of its Peak Intra-Day Margin Weight.

and the Member's Contribution shall be the amount arrived at by multiplying the Fund Amount by the Member's Weight Factor, provided that (x) if the amount calculated for a particular Member pursuant to the foregoing would, when aggregated with the Contributions of all other Members, produce a Fund Amount that is in excess of that permitted under paragraph (c)(iii) of Rule E2(e)(iii)-L2, then such excess amount, as calculated by the Clearing House, shall be iteratively notionally allocated to such Member *pro rata* to its Contribution as originally calculated and such proportionate excess shall be deducted from the amount originally calculated and the Member's Contribution shall be adjusted accordingly; and provided further that (y) in no case shall a Member's Contribution be less than the Minimum Contribution (notwithstanding that the Fund Amount may, taking into account all Contributions as adjusted in accordance with the provisos to this paragraph, exceed the level specified in paragraph (c)(iii) of Rule E2(e)(iii)-L2).

For the purposes of these calculations:

~~iv~~(iv) "**Reference Period**" means the period of three calendar months immediately before the Determination Date;

~~v~~(v) references to "**Members**" do not include references to ~~d~~DDefaulters (apart from any ~~d~~DDefaulter in respect of which the Clearing House permits the application of this Rule) or persons which were formerly

Members but are not Members on the date on which the relevant calculation is made;

~~vi~~(vi) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and

~~vii~~(vii) no account shall be taken, in calculating ~~the~~ initial margin ~~requirement~~ or Margin Weight under this ~~Rule E3(b) paragraph (b)~~ of any offsets ~~applied~~ in ~~calculating~~ the initial margin ~~required for obligations imposed on Members in respect of~~ Contracts ~~from a Member~~, which may otherwise be permissible under the Procedures or other arrangements applicable.

~~(a) Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of:~~

~~i~~(i) ~~the Minimum Contribution; and~~

~~ii~~(i) ~~any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.~~

~~(c) Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of:~~

~~(i) the Minimum Contribution; and~~

~~(ii) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.~~

~~(d) Except to the extent that ~~one or other of~~ the caps specified in ~~Rule E2(e)(iii) paragraph (c)(iii) of Rule L2~~ would be exceeded, the Clearing House may recalculate the Contributions due from certain Members on any business day other than one falling between the application of a Contribution and the end of the Cooling Off Period, as set out at ~~Rule E7, L7~~, in the following circumstances:~~

~~i~~(i) if the Combined Loss Value determined under ~~Rule E2(b) paragraph (b) of Rule L2~~ on that day deviates by more than 25% ~~per cent~~ upwards or downwards from the Combined Loss Value on which the previous Contribution determination was based, on such business day, the Clearing House shall be entitled to make an adjustment upwards or downwards to the Fund Amount commensurate with the deviation;

~~(ii) where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates, where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates.~~

~~A Co-operating Clearing House is not required to contribute to the Default Fund and references in this Rule E3 to a Member do not include a Co-operating Clearing House.~~

#### L4. Interest on Contributions

On each day interest shall accrue on the amount of each Contribution ~~then~~ held by the Clearing House, to the extent that it has not been applied under Rule ~~26 or Rule 28~~26 or Rule 28 of the Default Rules, at such rate and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a market-recognised benchmark rate plus or minus a spread. ~~Such rate and such spread shall be determined, in light of market conditions at such time, by the Clearing House from time to time and notified by the Clearing House to Members. Interest on Contributions shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. Any interest which has accrued under this Rule shall not be regarded as part of a Contribution.~~ Such rate and such spread shall be determined, in light of market conditions at such time, by the Clearing House from time to time and notified by the Clearing House to Members. Interest on Contributions shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. Any interest which has accrued under this Rule shall not be regarded as part of a Contribution. ~~References in this Rule E4 to a Member do not include a Co-operating Clearing House.~~

#### L5. Payment of Contributions

(a) Upon determination of the amount of a Contribution on a Determination Date:

- i(i) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date exceeds the amount of the Member's Contribution as determined on the Determination Date, the excess shall be paid by the Clearing House to the Member in accordance with the Procedures;
- ii(ii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is the same as the amount of the Member's Contribution as determined on the Determination Date, no sum shall then be payable by or to the Member in respect of its Contribution; and
- iii(iii) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is less than the amount of the Member's Contribution as determined on the Determination Date, the shortfall shall be paid by the Member to the Clearing House in accordance with the Procedures.

(b) The provisions of this Rule do not apply to a Member which is a ~~d~~Defaulter, unless the Clearing House so requires in any particular case.

~~References in this Rule E5 to a Member do not include a Co-operating Clearing House.~~

#### L6. **Unfunded Contributions**

- (a) On any business day after the occurrence of a Default, if the Clearing House determines that by reason of reduction in accordance with Rule ~~E7~~L7, (i) the Fund Amount (minus any Contribution of the ~~d~~DDefaulter) has been reduced by at least 25%~~, per cent.~~, or (ii) by the time of issue of a Default Management Completion Notice in relation to that Default the Fund Amount will have been so reduced, the Clearing House may, by notice in writing (each an "**Unfunded Contribution Notice**"), require each Non-Defaulting Clearing Member to deposit and maintain an amount (each an "**Unfunded Contribution**") in accordance with this Rule.
- (b) Unfunded Contributions will only be payable in circumstances where the relevant Unfunded Contribution Notice is delivered by the Clearing House to Members before a Default Management Completion Notice in relation to the relevant Default.
- (c) The amount of an Unfunded Contribution payable by a Member in respect of a Default shall be payable *pro rata* by reference to the proportion which that Member's Contribution bears to the aggregate of Contributions of all Non-Defaulting Clearing Members, and shall not exceed the value of the Contribution of that Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.
- (d) Following the payment of an Unfunded Contribution in accordance with ~~Rule E6(a), (b) and (c)~~paragraphs (a), (b) and (c) of Rule L6, the Clearing House may, by the delivery of one or more further Unfunded Contribution Notices, require each Non-Defaulting Clearing Member to pay one or more further Unfunded Contributions in respect of the same Default, provided that the total value of the Unfunded Contributions payable by any Member in respect of a particular Default may not exceed the value of the Contribution of such Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.
- (e) Following a Default in respect of which Unfunded Contributions were paid (the "**First Default**"), the Clearing House may require the payment of further Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided that Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first Unfunded Contribution Notice in respect of the First Default).
- (f) Members shall deposit the full amount of each Unfunded Contribution (without exercising any rights of set-off or counterclaim) with the Clearing House on the business day following the receipt of an Unfunded Contribution Notice.



For the avoidance of doubt, references to "Members" for the purposes of this Rule: ~~(i)~~ include any Member (other than a ~~d~~Defaulter) who is: (i) a Retiring Member but whose status as a Member has not yet been terminated; ~~(ii) include any Member (other than a defaulter) who is~~ and (ii) a Resigning Member whose resignation from the Service is not yet effective; ~~and (iii) do not include a Co-operating Clearing House.~~

#### L7. **Cooling Off and Replenishment of Fund**

(a) This Rule applies where, after a Default, the Clearing House has applied part or all of a Contribution under Rule ~~26 or Rule 28.19~~ or Rule 21 of the Default Rules. Upon such application the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and (subject to the following provisions of this Rule) the amount of the Contribution that each Member must maintain with the Clearing House shall be reduced by the amount of its Contribution which has been applied pursuant to Rule ~~28~~ 21 of the Default Rules, in each case until the next Determination Date. Unless and until the Clearing House has repaid a ~~d~~Defaulter's Contribution, the Fund Amount shall be treated as having been reduced by the amount of the ~~d~~Defaulter's Contribution (if any) regardless of whether the Clearing House has applied part or all of that Contribution under Rule ~~26~~ 19 of the Default Rules.

If following the issuance of a notice to the effect that it has completed the management of a Default (a "**Default Management Completion Notice**") the aggregate amount of Fund Amount determined in accordance with paragraph (a) of this Rule ~~E7~~ L7 is less than the Fund Floor, the Clearing House may notify each Non-Defaulting Clearing Member that it is required to make a ~~s~~Supplementary Contribution until the next Determination Date, based on the proportion that the value of its Contribution as at the last Determination Date prior to the date when the relevant Default occurred bears to the value of the aggregate Contributions of all Non-Defaulting Clearing Members as at such date, so as to maintain the Fund Amount at no less than the Fund Floor. ~~Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.~~

(b) Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.

(c) For a further period (a "**Cooling Off Period**") of 30 calendar days from (and including) any day on which the Clearing House has issued a Default Management Completion Notice after an application pursuant to Rule ~~26 or Rule 28.19~~ 21 of the Default Rules, calculation of the Fund Amount and the Contributions of Members in accordance with Rule ~~E3~~ L3 shall be suspended.

~~(a) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.~~

(d) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.

(e) Notwithstanding Rule ~~33~~25 of the Default Rules, if a Member which is not a ~~d~~Defaulter notifies the Clearing House within two business days after the issue of a Default Management Completion Notice that it wishes to resign from the Service: assuming all other requirements for termination of its membership have been satisfied by the end of the Cooling Off Period, such Member shall cease to be treated as a Member for the purpose of Rule ~~E3~~L3 on the next Determination Date, and its Contribution shall (unless utilised in the interim in accordance with Rule ~~28~~21 of the Default Rules) be repaid by the Clearing House following that Determination Date in accordance with the Procedures. A Member which has notified its wish to resign remains liable under Rule ~~E8~~L8 until the effective date of its resignation.

~~(a) The first business day after a Cooling Off Period shall exceptionally be a Determination Date; and the Fund Amount determined on such exceptional Determination Date shall remain in effect until the first business day of the next calendar month.~~

~~(a) There may not be more than three exceptional Determination Dates of the type described in (f) above in any period of six months.~~

(f) The first business day after a Cooling Off Period shall exceptionally be a Determination Date; and the Fund Amount determined on such exceptional Determination Date shall remain in effect until the first business day of the next calendar month.

(g) There may not be more than three exceptional Determination Dates of the type described in (f) above in any period of six months.

~~References in this Rule E7 to a Member do not include a Co-operating Clearing House.~~

## L8. **Loss Allocation**

(a) At any time after a Default, the Clearing House may determine that the Excess Loss resulting from the Default will exceed the resources available to be applied to it under ~~Rule 16~~(Rules 15(a) to (g)) of the Default Rules. If the Clearing House makes such a determination then the Clearing House may implement the process (the "**Loss Distribution Process**") described in this Rule ~~E8~~L8 in order to mitigate the LCH Uncovered Loss. For these purposes, the difference between the Excess Loss as determined by the Clearing House on that day and such resources remaining available on that day shall be the "**LCH Uncovered Loss**".

(b) ~~Definitions and interpretation~~

In this Rule ~~E8~~, ~~references to a Member do not include a Co-operating Clearing House and~~L8, the following definitions apply:

"**Loss Distribution Day**" means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for Collateral in respect of margin ~~obligations in accordance with the provisions of the Procedures on~~



such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.

"**Loss Distribution Period**" means the period from, but excluding, the day on which a Default occurs with respect to a Member to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.

(c) *Loss Distribution Charges*

On each Loss Distribution Day, each Non-Defaulting Clearing Member shall pay to the Clearing House a "**Loss Distribution Charge**" which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Member's Contribution bears to the aggregate of the Contributions of all Non-Defaulting Clearing Members, provided that the cumulative total of all such Loss Distribution Charges that a Non-Defaulting Clearing Member is required to pay in respect of all Loss Distribution Days relating to that Default shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting Clearing Member, and provided such Loss Distribution Charge shall also include any liquidity amounts. For this purpose, "**Loss Distribution Cap Amount**" means an amount equal to the Contribution of such Member as calculated at the last Determination Date (disregarding any Determination Date arising after the Default occurred). For the purposes of this Rule ~~E8~~, "~~liquidity amounts~~" ~~means the gross amount paid or payable for borrowed or purchased assets solely to enable the physical settlement of Contracts.~~

~~Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.~~

L8 *Application of Loss Distribution Charges*

~~Apart from liquidity amounts used to effect physical settlement in accordance with Rule E8(c)(i), the Clearing House shall apply all other payments it receives in respect of Loss Distribution Charges solely for the purposes of meeting any loss incurred by the Clearing House in relation to the defaulter's Contracts.~~

(a) *No Rebate*

~~Subject to Rule E8(e)(ii), Rule E9 and Rule E10(c), the payment to the Clearing House by any Member of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.~~

~~Following the issuance of a Default Management Completion Notice, surplus amounts of Loss Distribution Charges comprising liquidity amounts for physical settlement shall, in the case of a Retiring Member or a Resigning Member, be returned to such Member, and, in the case of other Members, be set off against a Member's Contribution (provided any surplus liquidity amounts in excess of the Contribution shall be~~

~~returned to such Member), in both cases, *pro rata* by reference to the proportion which the Loss Distribution Charge paid by the relevant Member bears to the aggregate of Loss Distribution Charges paid by all Non-Defaulting Clearing Members.~~

~~(a) *Ballot*~~

~~If on a Loss Distribution Day, the LCH Uncovered Loss exceeds the aggregate amount of Loss Distribution Charges which the Clearing House may be entitled to receive under paragraph (c), the Clearing House may seek approval of Non-Defaulting Clearing Members for a proposal to increase the Loss Distribution Cap Amount for the purposes of the relevant Default to an amount beyond that specified in paragraph (c). Approval shall only be treated as given if, in a ballot: (i) at least 95% by number (rounding fractions upwards to the next 5%) of Members eligible to vote have voted, and no Member which has voted has voted against the proposal; or (ii) in the event that there are more than two but fewer than 20 Members, no more than one Member eligible to vote has voted against the proposal.~~

**Application of Recoveries**

~~(a) The Clearing House will apply any recovery, first to the reimbursement of payers of Loss Distribution Charges, and then to reimburse any Members or other persons to whom recourse has been made under Rule 16(d) to (g), but in reverse order to that in which they appear in Rule 16. In relation to payers of Loss Distribution Charges, any partial recovery will be distributed *pro rata* to the aggregate payments made by those payers. For the purposes of this Rule, a recovery comprises:~~

~~any amounts received from the defaulter as a result of the Clearing House being a creditor of the defaulter in respect of the Business of such defaulter in the context of the occurrence of any of the events under Rule 5(i) to (p) in respect of the defaulter or otherwise, other than in respect of sums due to the Clearing House for its own account; or~~

~~any other amounts howsoever obtained or recovered in the course of the management of the Default or which are otherwise referable to the Default or the defaulter,~~

~~in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the defaulter in connection with the Service.~~

~~Nothing in this Rule E9 shall oblige the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.~~

~~If a Contribution made by a defaulter to another default fund of the Clearing House has been applied to losses in respect of Contracts registered to an account of the defaulter, any amounts recovered shall be applied *pari passu* as between the relevant default funds.~~

~~References in this Rule E9 to a Member do not include a Co-operating Clearing House.~~

### ~~Service Closure~~

~~Where, after the Default of one or more Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under Rule 16(a) to (g) and the availability of the Loss Distribution Process under Rule E8, the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of Contracts to which it is party with Non-Defaulting Clearing Members, the Clearing House shall make a further determination (an "*Insufficient Resources Determination*") that the Clearing House does not have sufficient available resources under Rule 16(a) to (g) and via the Loss Distribution Process under Rule E8 to meet its obligations and liabilities arising in respect of those Contracts to which it is party with Non-Defaulting Clearing Members, and the provisions of this Rule shall have effect.~~

~~All outstanding Contracts shall be closed out as of the business day following the date of the *Insufficient Resources Determination* and any further obligations to make any payments under or in respect of such Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end-of-day margin runs in respect of the outstanding Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin requirement for the position to be closed out.~~

~~On the basis of the close out values established for each outstanding Contract, an account shall be taken (as at the time of close out) of what is due, in respect of each Member, from that Member to the Clearing House and from the Clearing House to that Member, as well as all other amounts owing under or in respect of such Contracts and any other amounts that may be due in respect of the Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the Member shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. Amounts due in respect of such Contracts shall include, but not be limited to, returns of cash Collateral held by the Clearing House in respect of the Member's variation margin obligations and returns of Loss Distribution Charges, but shall exclude the repayment of any cash Collateral held by the Clearing House in respect of the Member's initial margin obligations or any Contributions.~~

~~To the extent that the aggregate of all of the amounts owed to the Clearing House by Members (including Co-operating Clearing Houses) plus all of those other resources applicable to the Service under Rule 16(a) to (g) that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Members (including Co-operating Clearing Houses) by the Clearing House, each amount owed to Members by the Clearing House shall be reduced pro rata the shortfall. For the avoidance of doubt, no amount~~

~~owed by the Clearing House to a Co-operating Clearing House is to be reduced pursuant to this Rule 10(c).~~

~~(a) The Clearing House shall determine any amounts due to each Member in respect of the repayment of any cash Collateral held by the Clearing House in respect of the initial margin obligations of the Member and outstanding Contributions to be repaid. The claim of each such Member in respect of the foregoing shall be limited to a *pro rata* share of the assets available to the Clearing House to satisfy those amounts.~~

~~For each Member, the amount due to it or due from it as determined pursuant to (e) above shall be aggregated with its claim determined pursuant to (d) above and only the net sum shall be payable. Where the result of such calculations is that a Member owes an amount to the Clearing House, that Member shall pay that amount to the Clearing House immediately. Where the result of such calculations is that a Member is owed an amount by the Clearing House, the Clearing House shall pay that amount to the Member immediately, subject to (g) below.~~

~~The payment of such amount to a Member pursuant to (e) above, subject to any re-calculations performed pursuant to (g) below, shall constitute the full and final payment in respect of the Service and such Member shall not be permitted to make any further claims on the Clearing House in respect of amounts relating to the Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation 39A for a failure to pay any amounts in relation to the Service.~~

~~The Clearing House may make the payments due under (e) above in one or more instalments to the Members in proportion to the value of their claims on the Clearing House under (e) above if some but not all of the amounts due under (e) above or Rule 16(a) to 16(g) have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to Members in accordance with this Rule.~~

~~This Rule shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation 39A.~~

~~Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral transferred to it in respect of initial margin pursuant to the Regulations and Procedures.~~

~~Except for references to Non-Defaulting Clearing Members in Rule 10(a), and except where otherwise stated, references in this Rule E10 to a Member do not include a Co-operating Clearing House.~~

## **Ballot Arrangements**

~~No proposal for any of the amendments set out in paragraphs (i), (ii), (iii) or (iv) below (each an "Equities Default Fund Amendment") shall be capable of coming into effect unless first approved in a ballot of Members:~~

~~any amendment providing for a change in the nature of the liabilities for which a Member's indemnity is given in respect of Equities Business by virtue of Rule 28;~~

~~any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the Equities Clearing Members but not in the commitments of any other Members;~~

~~any increase in the maximum size of the Fund Amount for the purposes of Rule E2 beyond GBP 500,000,000 (or such other level as has been approved in a ballot); and~~

~~any amendment to the amount of the Minimum Contribution or the definition of the Fund Floor.~~

~~For the purposes of a ballot conducted pursuant to this Rule, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:~~

~~the words "major amendment to the Default Fund Rules" in the first line of clause 9.4 of the Clearing Membership Agreement shall be read as "Equities Default Fund Amendment";~~

~~all references to "Clearing Members" shall be read as references to "Equities Clearing Members";~~

~~in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Quarter Day" shall be replaced with a reference to Determination Date, as such term is used in the Equities Default Fund Supplement to the Default Fund Rules;~~

~~references to "Contributions" and "Fund Amount" shall be read in accordance with the Equities Default Fund Supplement to the Default Fund Rules; and~~

~~the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be construed accordingly.~~

~~References in this Rule E11 to a Member do not include a Co-operating Clearing House.~~

## ~~Listed Interest Rate Default Fund Supplement~~

~~In this Supplement, subject to any contrary indication or where the context otherwise requires, references to:~~

~~the "**Business**" means the Listed Interest Rate Business of a Member~~

~~a "**Contract**" means a Listed Interest Rate Contract, a contract cleared pursuant to a Service and such other listed interest rate derivative contract as the Clearing House may from time to time specify by notice to the Members~~

~~a "**Contribution**" means a Listed Interest Rate Contribution~~

~~the "**Default Fund**" means the fund established by this Listed Interest Rate Default Fund Supplement~~

~~a "**Determination Date**" means a Listed Interest Rate Determination Date~~

~~the "**Excess Loss**" means the Listed Interest Rate Excess Loss~~

~~the "**Fund Amount**" means the Listed Interest Rate Fund Amount~~

~~a "**Member**" means a Listed Interest Rate Clearing Member and a Clearing Member approved to clear a Specified Market~~

~~a "**Minimum Contribution**" means GBP 500,000~~

~~a "**Non-Defaulting Clearing Member**" means a Member that is not a defaulter under Rule 4 of the Default Rules~~

~~"**Service**" means the listed interest rate derivatives and listed interest rate derivatives related services provided by the Clearing House pursuant to its rules governing the clearing of the Specified Markets and includes the Listed Interest Rate Service~~

~~"**Specified Markets**" means NLX and any other markets from time to time specified by the Clearing House~~

~~and calculations of "**Combined Loss Value**", "**End of Day Margin Weight**", "**Peak Intra-Day Margin Weight**", "**STLEOM**" and "**Weight Factor**" are carried out in accordance with this Supplement only.~~

~~Capitalised terms not otherwise defined in this Supplement shall have the meanings assigned to them in the General Regulations, Rule 15 of the Default Fund Rules or Rule 15A of the Default Fund Rules, as applicable.~~

### ~~Fund Amount~~

~~The Default Fund is denominated in GBP, and all amounts referable to it shall be denominated, calculated, called and payable in GBP.~~

~~On each business day, the Clearing House will determine the "**Combined Loss Value**" in respect of each of the three preceding calendar months. **The**~~

~~Combined Loss Value in respect of a particular day will be the sum of the STLIEOMs for the Members which have the largest and the second largest STLIEOM on that day. For this purpose, the "STLIEOM" means, in respect of each Member and in respect of any day, the stress tested loss in excess of initial margin (determined for a given scenario determined by the Clearing House) which could be incurred by the Clearing House in respect of that Member's Business if that Member became a defaulter on that day.~~

~~The Fund Amount shall be determined by the Clearing House on the first business day of each calendar month (the "**Determination Date**") in accordance with this Rule.~~

~~The Fund Amount is, for a given Determination Date, the largest of the Combined Loss Values as determined during the three calendar month period under Rule L2(b), plus 10%, subject to the following provisions of this Rule.~~

~~On any Determination Date, if the Fund Amount as determined under Rule L2(c)(i) would be lower than three times the Minimum Contribution, the Fund Amount will be deemed to be three times the Minimum Contribution (the "**Fund Floor**").~~

~~On any Determination Date: (a) if the Fund Amount as determined would exceed GBP 500,000,000, the Fund Amount will be deemed to be GBP 500,000,000 unless the Risk Committee of the Clearing House has resolved that an increase in the Fund Amount is warranted, in which case the Fund Amount shall be as determined by the Risk Committee; (b) if the Fund Amount as determined would exceed GBP 1,500,000,000, the Fund Amount will be deemed to be GBP 1,500,000,000, notwithstanding any determination by the Risk Committee, unless an increase has been approved by ballot in accordance with Rule L11.~~

~~In the case of a Default in relation to which the Clearing House does not apply Contributions under Rule 26 or Rule 28, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the completion of the management of such Default. Where other such Defaults have commenced during the period of suspension, the suspension will end at the completion of the management of the last of such Defaults.~~

~~(i) In the case of any Default in relation to which the Clearing House applies Contributions under Rule 26 or Rule 28, determinations of the Fund Amount under the methodology of this Rule are suspended from the date of the occurrence of a Default until the expiry of the Cooling Off Period under Rule L7. Where other such Defaults have commenced during the period of suspension, the suspension will end at the expiry of the Cooling Off Period following the Default Management Completion Notice in respect of the last of those Defaults.~~

## **Contributions to Fund**



~~The amount of each Member's Contribution shall be determined by the Clearing House on each Determination Date on the basis of information available as at close of business on the immediately preceding business day and notified to such Member as soon as practicable after such determination in accordance with the Procedures. However, determinations of Contributions under the methodology of this Rule are suspended after the occurrence of a Default in accordance with Rule L2(c)(v).~~

~~(a) A Member's Contribution shall be determined with reference to business conducted by it on the Specified Markets in Contracts as follows:~~

~~the Member's "*End of Day Margin Weight*" shall be calculated by dividing the average daily initial margin requirement at the end of each day (as calculated under the Procedures or other arrangements applicable) which has applied to the Member during the Reference Period in respect of all Contracts by the total of such average daily requirements applied to all Members other than defaulters;~~

~~the Member's "*Peak Intra-Day Margin Weight*" shall be calculated by dividing the average maximum intra-day initial margin requirement arising at any point during each day during the Reference Period (as calculated under the Procedures or other arrangements applicable) which has applied to the Member in respect of all Contracts by the total of such average maximum intra-day requirements applied to all Members other than defaulters;~~

~~iii(i) the Member's "*Weight Factor*" shall be calculated by adding one-half of its *End of Day Margin Weight* to one-half of its *Peak Intra-Day Margin Weight*;~~

~~and the Member's Contribution shall be the amount arrived at by multiplying the Fund Amount by the Member's Weight Factor, provided that (x) if the amount calculated for a particular Member pursuant to the foregoing would, when aggregated with the Contributions of all other Members, produce a Fund Amount that is in excess of that permitted under Rule L2(c)(iii), then such excess amount, as calculated by the Clearing House, shall be iteratively notionally allocated to such Member pro-rata to its Contribution as originally calculated and such proportionate excess shall be deducted from the amount originally calculated and the Member's Contribution shall be adjusted accordingly; and provided further that (y) in no case shall a Member's Contribution be less than the Minimum Contribution (notwithstanding that the Fund Amount may, taking into account all Contributions as adjusted in accordance with the provisos to this paragraph, exceed the level specified in Rule L2(c)(iii)).~~

~~For the purposes of these calculations:~~

~~iv(i) "*Reference Period*" means the period of three calendar months immediately before the Determination Date;~~

~~references to "*Members*" do not include references to defaulters (apart from any defaulter in respect of which the Clearing House permits the~~



~~application of this Rule) or persons which were formerly Members but are not Members on the date on which the relevant calculation is made;~~

~~vi(i) Contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand pounds; and~~

~~no account shall be taken, in calculating the initial margin requirement or Margin Weight under this Rule L3(b) of any offsets in the initial margin required for Contracts from a Member which may otherwise be permissible under the Procedures or other arrangements applicable.~~

~~(a) Without prejudice to any other requirements which the Clearing House may impose, the amount of the Contribution of a New Member shall be the sum of:~~

~~i(i) the Minimum Contribution; and~~

~~ii(i) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.~~

~~Except to the extent that one or other of the caps specified in Rule L2(c)(iii) would be exceeded, the Clearing House may recalculate the Contributions due from certain Members on any business day other than one falling between the application of a Contribution and the end of the Cooling Off Period, as set out at Rule L7, in the following circumstances:~~

~~if the Combined Loss Value determined under Rule L2(b) on that day deviates by more than 25% upwards or downwards from the Combined Loss Value on which the previous Contribution determination was based, on such business day, the Clearing House shall be entitled to make an adjustment upwards or downwards to the Fund Amount commensurate with the deviation;~~

~~ii(i) where the Risk Committee considers (for any reason) that a recalculation is warranted between Determination Dates.~~

### **Interest on Contributions**

~~On each day interest shall accrue on the amount of each Contribution then held by the Clearing House, to the extent that it has not been applied under Rule 26 or Rule 28, at such rate and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a market recognised benchmark rate plus or minus a spread. Such rate and such spread shall be determined, in light of market conditions at such time, by the Clearing House from time to time and notified by the Clearing House to Members. Interest on Contributions shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. Any interest which has accrued under this Rule shall not be regarded as part of a Contribution.~~

### **Payment of Contributions**

~~Upon determination of the amount of a Contribution on a Determination Date:~~

~~if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date exceeds the amount of the Member's Contribution as determined on the Determination Date, the excess shall be paid by the Clearing House to the Member in accordance with the Procedures;~~

~~ii(i) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is the same as the amount of the Member's Contribution as determined on the Determination Date, no sum shall then be payable by or to the Member in respect of its Contribution; and~~

~~iii(i) if the amount of the Contribution of a Member at close of business on the business day immediately before the Determination Date is less than the amount of the Member's Contribution as determined on the Determination Date, the shortfall shall be paid by the Member to the Clearing House in accordance with the Procedures.~~

~~The provisions of this Rule do not apply to a Member which is a defaulter, unless the Clearing House so requires in any particular case.~~

### **Unfunded Contributions**

~~(a) On any business day after the occurrence of a Default, if the Clearing House determines that by reason of reduction in accordance with Rule L7, (i) the Fund Amount (minus any Contribution of the defaulter) has been reduced by at least 25%, or (ii) by the time of issue of a Default Management Completion Notice in relation to that Default the Fund Amount will have been so reduced, the Clearing House may, by notice in writing (each an "Unfunded Contribution Notice"), require each Non-Defaulting Clearing Member to deposit and maintain an amount (each an "Unfunded Contribution") in accordance with this Rule.~~

~~(a) Unfunded Contributions will only be payable in circumstances where the relevant Unfunded Contribution Notice is delivered by the Clearing House to Members before a Default Management Completion Notice in relation to the relevant Default.~~

~~(a) The amount of an Unfunded Contribution payable by a Member in respect of a Default shall be payable *pro rata* by reference to the proportion which that Member's Contribution bears to the aggregate of Contributions of all Non-Defaulting Clearing Members, and shall not exceed the value of the Contribution of that Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.~~

~~Following the payment of an Unfunded Contribution in accordance with Rule L6(a), (b) and (c), the Clearing House may, by the delivery of one or more further Unfunded Contribution Notices, require each Non-Defaulting Clearing Member to pay one or more further Unfunded Contributions in respect of the same Default, provided that the total value of the Unfunded Contributions payable by any Member in respect of a particular Default may not exceed the~~

~~value of the Contribution of such Member as calculated on the last Determination Date prior to the date when the relevant Default occurred.~~

~~Following a Default in respect of which Unfunded Contributions were paid (the "First Default"), the Clearing House may require the payment of further Unfunded Contributions in respect of subsequent Defaults, (which, for the avoidance of doubt, can never be a First Default), provided that Unfunded Contributions will not be payable in respect of any more than three Defaults in any six month period (commencing on the date of delivery of the first Unfunded Contribution Notice in respect of the First Default).~~

~~Members shall deposit the full amount of each Unfunded Contribution (without exercising any rights of set off or counterclaim) with the Clearing House on the business day following receipt of an Unfunded Contribution Notice.~~

~~For the avoidance of doubt, references to "Members" for the purposes of this Rule include any Member (other than a defaulter) who is: (i) a Retiring Member but whose status as a Member has not yet been terminated; and (ii) a Resigning Member whose resignation from the Service is not yet effective.~~

### **Cooling Off and Replenishment of Fund**

~~This Rule applies where, after a Default, the Clearing House has applied part or all of a Contribution under Rule 26 or Rule 28. Upon such application the Fund Amount shall be reduced forthwith by the aggregate amount of the Contributions or parts of Contributions so applied, and (subject to the following provisions of this Rule) the amount of the Contribution that each Member must maintain with the Clearing House shall be reduced by the amount of its Contribution which has been applied pursuant to Rule 28, in each case until the next Determination Date. Unless and until the Clearing House has repaid a defaulter's Contribution, the Fund Amount shall be treated as having been reduced by the amount of the defaulter's Contribution (if any) regardless of whether the Clearing House has applied part or all of that Contribution under Rule 26.~~

~~If following the issuance of a notice to the effect that it has completed the management of a Default (a "**Default Management Completion Notice**") the aggregate amount of Fund Amount determined in accordance with paragraph (a) of this Rule L7 is less than the Fund Floor, the Clearing House may notify each Non-Defaulting Clearing Member that it is required to make a supplementary Contribution until the next Determination Date, based on the proportion that the value of its Contribution as at the last Determination Date prior to the date when the relevant Default occurred bears to the value of the aggregate Contributions of all Non-Defaulting Clearing Members as at such date, so as to maintain the Fund Amount at no less than the Fund Floor. Supplementary Contributions required hereunder shall be paid within two business days after notification and in accordance with the Procedures.~~

~~For a further period (a "**Cooling Off Period**") of 30 calendar days from (and including) any day on which the Clearing House has issued a Default Management Completion Notice after an application pursuant to Rule 26 or~~

Rule 28, calculation of the Fund Amount and the Contributions of Members in accordance with Rule L3 shall be suspended.

~~(a) Each Member's Contribution during a Cooling Off Period shall be no less than the Minimum Contribution.~~

~~Notwithstanding Rule 33, if a Member which is not a defaulter notifies the Clearing House within two business days after the issue of a Default Management Completion Notice that it wishes to resign from the Service: assuming all other requirements for termination of its membership have been satisfied by the end of the Cooling Off Period, such Member shall cease to be treated as a Member for the purpose of Rule L3 on the next Determination Date, and its Contribution shall (unless utilised in the interim in accordance with Rule 28) be repaid by the Clearing House following that Determination Date in accordance with the Procedures. A Member which has notified its wish to resign remains liable under Rule L8 until the effective date of its resignation.~~

~~(a) The first business day after a Cooling Off Period shall exceptionally be a Determination Date; and the Fund Amount determined on such exceptional Determination Date shall remain in effect until the first business day of the next calendar month.~~

~~(a) There may not be more than three exceptional Determination Dates of the type described in (f) above in any period of six months.~~

## Loss Allocation

~~(a) At any time after a Default, the Clearing House may determine that the Excess Loss resulting from the Default will exceed the resources available to be applied to it under Rule 16(a) to (g). If the Clearing House makes such a determination then the Clearing House may implement the process (the "**Loss Distribution Process**") described in this Rule L8 in order to mitigate the LCH Uncovered Loss. For these purposes, the difference between the Excess Loss as determined by the Clearing House on that day and such resources remaining available on that day shall be the "**LCH Uncovered Loss**".~~

## Definitions

In this Rule L8, the following definitions apply:

~~"**Loss Distribution Day**" means any business day in a Loss Distribution Period on which the Clearing House, prior to calling for Collateral in respect of margin obligations in accordance with the provisions of the Procedures on such business day, determines that the LCH Uncovered Loss for that business day is greater than zero.~~

~~"**Loss Distribution Period**" means the period from, but excluding, the day on which a Default occurs with respect to a Member to the business day on which all Loss Distribution Charges in respect of such Default have been paid in full.~~

~~(a) **Loss Distribution Charges**~~

~~i(i) On each Loss Distribution Day, each Non-Defaulting Clearing Member shall pay to the Clearing House a "Loss Distribution Charge" which is equal to the product of (x) the LCH Uncovered Loss in respect of that Loss Distribution Day and (y) the proportion which that Member's Contribution bears to the aggregate of the Contributions of all Non-Defaulting Clearing Members, provided that the cumulative total of all such Loss Distribution Charges that a Non-Defaulting Clearing Member is required to pay in respect of all Loss Distribution Days relating to that Default shall not be greater than the Loss Distribution Cap Amount in respect of that Non-Defaulting Clearing Member, and provided such Loss Distribution Charge shall also include any liquidity amounts. For this purpose, "Loss Distribution Cap Amount" means an amount equal to the Contribution of such Member as calculated at the last Determination Date (disregarding any Determination Date arising after the Default occurred). For the purposes of this Rule L8, "liquidity amounts" means the gross amount paid or payable for borrowed or purchased assets solely to enable the physical settlement of Contracts.~~

~~ii) Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.~~

(d) Application of Loss Distribution Charges

~~ii) Any Loss Distribution Charge shall be paid by the Member to the Clearing House in accordance with the Procedures.~~

~~Application of Loss Distribution Charges~~

Apart from liquidity amounts used to effect physical settlement in accordance with ~~Rule L8(e)(i), paragraph (c)(i) of Rule L8,~~ the Clearing House shall apply all other payments it receives in respect of Loss Distribution Charges solely for the purposes of meeting any loss incurred by the Clearing House in relation to the ~~d~~Defaulter's Contracts.

(e) No Rebate

~~i(i) Subject to paragraph (e)(ii) of Rule L8(e)(ii), L8, Rule L9L9 and paragraph (c) of Rule L10(e), L10,~~ the payment to the Clearing House by any Member of any Loss Distribution Charge shall be final and shall not give rise to any obligation of the Clearing House to repay any such amount or to pay any interest thereon.

~~ii(ii) Following the issuance of a Default Management Completion Notice, surplus amounts of Loss Distribution Charges comprising liquidity amounts for physical settlement shall, in the case of a Retiring Member or a Resigning Member, be returned to such Member, and, in the case of other Members, be set off against a Member's Contribution (provided any surplus liquidity amounts in excess of the Contribution shall be returned to such Member), in both cases, pro rata by reference to the proportion which the Loss Distribution Charge paid by the~~

relevant Member bears to the aggregate of Loss Distribution Charges paid by all Non-Defaulting Clearing Members.

(f) *Ballot*

If on a Loss Distribution Day, the LCH Uncovered Loss exceeds the aggregate amount of Loss Distribution Charges which the Clearing House may be entitled to receive under paragraph (c), the Clearing House may seek approval of Non-Defaulting Clearing Members for a proposal to increase the Loss Distribution Cap Amount for the purposes of the relevant Default to an amount beyond that specified in paragraph (c). Approval shall only be treated as given if, in a ballot: (i) at least 95% per cent. by number (rounding fractions upwards to the next 5% per cent.) of Members eligible to vote have voted, and no Member which has voted has voted against the proposal; or (ii) in the event that there are more than two but fewer than 20 Members, no more than one Member eligible to vote has voted against the proposal.

L9. **Application of Recoveries**

(a) The Clearing House will apply any recovery, first to the reimbursement of payers of Loss Distribution Charges, and then to reimburse any Members or other persons to whom recourse has been made under ~~Rule 16~~Rules 15(d) to (g), ~~of the Default Rules,~~ but in reverse order to that in which they appear in ~~Rule 15~~of the Default Rules. In relation to payers of Loss Distribution Charges, any partial recovery will be distributed *pro rata* to the aggregate payments made by those payers. For the purposes of this Rule, a recovery comprises:

i(i) any amounts received from the ~~d~~Defaulter as a result of the Clearing House being a creditor of the ~~d~~Defaulter in respect of the Business of such ~~d~~Defaulter in the context of the occurrence of any of the events under ~~Rule 5~~Rules 5(i) to (p) ~~of the Default Rules~~ in respect of the ~~d~~Defaulter or otherwise, other than in respect of sums due to the Clearing House for its own account; or

ii(ii) any other amounts howsoever obtained or recovered in the course of the management of the Default or which are otherwise referable to the Default or the ~~d~~Defaulter,

in each case net of any related expenses incurred by the Clearing House or other sums owing to the Clearing House by the ~~d~~Defaulter in connection with the Service.

(b) Nothing in this Rule ~~L9L9~~ shall oblige the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

(c) If a Contribution made by a ~~d~~Defaulter to another default fund of the Clearing House has been applied to losses in respect of Contracts registered to an account of the ~~d~~Defaulter, any amounts recovered shall be applied *pari passu* as between the relevant default funds.



## L10. Service Closure

- (a) Where, after the Default of one or more Members, the Clearing House determines that, notwithstanding the availability of any resources remaining under ~~Rule 16~~Rules 15(a) to (g) of the Default Rules and the availability of the Loss Distribution Process under Rule ~~L8~~L8, the Clearing House does not have sufficient resources to meet its obligations and liabilities arising in respect of Contracts to which it is party with Non-Defaulting Clearing Members, the Clearing House shall make a further determination (an "**Insufficient Resources Determination**") that the Clearing House does not have sufficient available resources under ~~Rule 16(a)~~Rules 15(a) to (g) of the Default Rules and via the Loss Distribution Process under Rule ~~L8~~L8 to meet its obligations and liabilities arising in respect of those Contracts to which it is party with Non-Defaulting Clearing Members, and the provisions of this Rule shall have effect.
- (b) All outstanding Contracts shall be closed out as of the business day following the date of the Insufficient Resources Determination and any further obligations to make any payments under or in respect of such Contracts shall cease. The closing prices used shall be prices calculated by the Clearing House in accordance with the methodology used by it to carry out end of day margin runs in respect of the outstanding Contracts. Where such data is not available to the Clearing House, the closing price shall be the last price used by the Clearing House to calculate the variation margin ~~requirement~~obligation for the position to be closed out.
- (c) On the basis of the close out values established for each outstanding Contract, an account shall be taken (as at the time of close out) of what is due, in respect of each Member, from that Member to the Clearing House and from the Clearing House to that Member, as well as all other amounts owing under or in respect of such Contracts and any other amounts that may be due in respect of the Service (including for these purposes, a proportionate share of any amounts owed generally to or from the Clearing House), and the sums due from the Member shall be set off against the sums due from the Clearing House and only the balance of the account shall be payable. Amounts due in respect of such Contracts shall include, but shall not be limited to, returns of cash Collateral ~~held by the Clearing House~~provided in respect of ~~the Member's~~ variation margin ~~obligations~~associated therewith and returns of Loss Distribution Charges, but shall exclude the repayment of any cash Collateral ~~held by~~provided to the Clearing House in respect of ~~the Member's~~ initial margin ~~obligations~~ or any Contributions.

To the extent that the aggregate of all of the amounts owed to the Clearing House by Members plus all of those other resources applicable to the Service under ~~Rule 16(a) to (g)~~Rules 15(a) to (g) of the Default Rules that have not been applied towards an Excess Loss is less than the aggregate of the amounts owed to Members by the Clearing House, each amount owed to Members by the Clearing House shall be reduced *pro rata* the shortfall.

- (d) The Clearing House shall determine any amounts due to each Member in respect of the repayment of cash Collateral ~~held by the Clearing~~

~~House~~provided in respect of ~~the~~ initial margin obligations ~~of the Member~~ and outstanding Contributions to be repaid. The claim of each such Member in respect ~~of~~to the foregoing shall be limited to a *pro rata* share of the assets available to the Clearing House to satisfy those amounts.

(e) For each Member, the amount due to it or due from it as determined pursuant to (c) above shall be aggregated with its claim determined pursuant to (d) above and only the net sum shall be payable. Where the result of such calculations is that a Member owes an amount to the Clearing House, that Member shall pay that amount to the Clearing House immediately. Where the result of such calculations is that a Member is owed an amount by the Clearing House, the Clearing House shall pay that amount to the Member immediately, subject to (g) below.

(f) The payment of such amount to a Member pursuant to (e) above, subject to any re-calculations performed pursuant to (g) below, shall constitute the full and final payment in respect of the Service and such Member shall not be permitted to make any further claims on the Clearing House in respect of amounts relating to the Service nor shall it be permitted to notify the Clearing House of a Termination Date pursuant to Regulation ~~39A.45~~ (Netting) for a failure to pay any amounts in relation to the Service.

(g) The Clearing House may make the payments due under (e) above in one or more instalments to the Members in proportion to the value of their claims on the Clearing House under (c) above if some but not all of the amounts due under (e) above or ~~Rule 16(a)~~ Rules 15(a) to 16(g) of the Default Rules have not yet been received. The Clearing House shall take reasonable steps to recover such amounts and may deduct therefrom reasonable administration costs for such recovery. To the extent that the Clearing House determines that any such amounts will not in fact be recoverable, it shall re-determine the amounts due to Members in accordance with this Rule.

(h) This Rule shall not be applied in the event that a Termination Date has been specified in relation to the Clearing House in accordance with Regulation ~~39A.45~~ (Netting).

Nothing in the foregoing shall override the obligation of the Clearing House to return non-cash Collateral ~~transferred to it~~ provided by a Member in respect of its initial margin obligations pursuant to the Regulations and Procedures.

### **Ballot Arrangements**

~~No proposal for any of the amendments set out in paragraphs (i), (ii), (iii) or (iv) below (each a "*Listed Interest Rate Default Fund Amendment*") shall be capable of coming into effect unless first approved in a ballot of Members:~~

~~any amendment providing for a change in the nature of the liabilities for which a Member's indemnity is given in respect of Listed Interest Rate Business by virtue of Rule 28;~~



~~any amendment which, in the opinion of the Board of Directors of the Clearing House would represent a significant change in the commitments of the Listed Interest Rate Clearing Members but not in the commitments of any other Members;~~

~~any increase in the maximum size of the Fund Amount for the purposes of Rule L2 beyond GBP 1,500,000,000 (or such other level as has been approved in a ballot); and~~

~~any amendment to the amount of the Minimum Contribution or the definition of the Fund Floor~~

~~For the purposes of a ballot conducted pursuant to this Rule, the provisions of clauses 9.4, 9.6 and 9.7 of the Clearing Membership Agreement shall apply with the following amendments:~~

~~the words "major amendment to the Default Fund Rules" in the first line of clause 9.4 of the Clearing Membership Agreement shall be read as "Listed Interest Rate Default Fund Amendment";~~

~~all references to "Clearing Members" shall be read as references to "Listed Interest Rate Clearing Members";~~

~~in paragraph (c) of clause 9.4 of the Clearing Membership Agreement, the reference to "Quarter Day" shall be replaced with a reference to Determination Date, as such term is used in the Listed Interest Rate Default Fund Supplement to the Default Fund Rules;~~

~~references to "Contributions" and "Fund Amount" shall be read in accordance with the Listed Interest Rate Default Fund Supplement to the Default Fund Rules; and~~

~~the reference to "clause 9.4" in clause 9.6 of the Clearing Membership Agreement shall be construed accordingly.~~

(i)

**LCH.Clearnet Rule Submission**

**Exhibit 7  
Black-line of UK General Regulations**

**CONTENTS**



**GENERAL REGULATIONS OF**  
**LCH.CLEARNET LIMITED**

## CONTENTS

Regulation	Page
<del>GENERAL REGULATIONS OF THE CLEARING HOUSE – 1</del>	
<del>Scope.....</del>	<del>1</del>
<del>Definitions.....</del>	<del>2</del>
<del>Regulation 1— Obligations of the Clearing House to each Member .....</del>	<del>37</del>
<del>Regulation 2— Performance by the Clearing House of its Obligations under the Terms of an Open Contract.....</del>	<del>38</del>
<del>Regulation 3— Novation .....</del>	<del>39</del>
<del>Regulation 4— Clearing Member Status of the Clearing House .....</del>	<del>40</del>
<del>Regulation 5— Accounts .....</del>	<del>41</del>
<del>Regulation 6— Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts.....</del>	<del>43</del>
<del>Regulation 7— Allocation of Original Exchange Contracts.....</del>	<del>44</del>
<del>Regulation 8— Designation.....</del>	<del>45</del>
<del>Regulation 9— Registration.....</del>	<del>46</del>
<del>Regulation 10— Trading Information.....</del>	<del>47</del>
<del>Regulation 11— Transfer.....</del>	<del>48</del>
<del>Regulation 12— Margin and Collateral.....</del>	<del>49</del>
<del>Regulation 13— Premium under Option Contracts and Payments under LIFFE Credit Default Swap Index Contracts.....</del>	<del>54</del>
<del>Regulation 14— Official Quotations and Reference Price .....</del>	<del>55</del>
<del>Regulation 15— Daily Settlement or Marking to Market.....</del>	<del>56</del>
<del>Regulation 15A— Settlement and Revaluation: Clearing Processing System .....</del>	<del>58</del>
<del>Regulation 16— Other Modes of Settlement and Revaluation.....</del>	<del>59</del>
<del>Regulation 17— Exercise of Options.....</del>	<del>60</del>
<del>Regulation 18— Delivery Contract Arising upon the Exercise of an Option and Event Protection Contracts.....</del>	<del>61</del>
<del>Regulation 19— Obligation to Make and Accept Tender under Cleared Exchange Contracts.....</del>	<del>63</del>
<del>Regulation 19B— Delivery Contracts .....</del>	<del>65</del>
<del>Regulation 20— Open Contracts Subject to Tender.....</del>	<del>66</del>
<del>Regulation 21— Arrangements for Delivery and Payment of Price.....</del>	<del>68</del>
<del>Regulation 22— Restrictions on Clearing House’s Obligations and Liability .....</del>	<del>69</del>
<del>Regulation 23— Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery) .....</del>	<del>70</del>
<del>Regulation 24— Collateral in Event of a Claim .....</del>	<del>73</del>
<del>Regulation 25— Default of a Member: Substituted Obligation .....</del>	<del>74</del>

<i>Regulation 26</i> —Market Disorders, Impossibility of Performance, Trade Emergency.....	75
<i>Regulation 27</i> —Force Majeure.....	77
<i>Regulation 28</i> —Invoicing Back.....	78
<i>Regulation 29</i> —Currency Conversion.....	80
<i>Regulation 30</i> —Disclosure.....	81
<i>Regulation 31</i> —Fees and Other Charges.....	82
<i>Regulation 32</i> —Records.....	83
<i>Regulation 33</i> —Procedures.....	84
<i>Regulation 34</i> —Alteration of Regulations and the Procedures.....	85
<i>Regulation 35</i> —Interpretation of these Regulations.....	86
<i>Regulation 36</i> —Waiver.....	87
<i>Regulation 37</i> —Validity of Regulations and Action.....	88
<i>Regulation 38</i> —Governing Law and Jurisdiction.....	89
<i>Regulation 39</i> —Exclusion of Liability.....	91
<i>Regulation 39A</i> —Netting.....	94
<i>Regulation 39B</i> —Distribution of Assets.....	97
<i>Regulation 39C</i> —Solvency Threatening Treasury Default Loss.....	98
<b>LINK REGULATIONS 100</b>	
<i>Regulation 40</i> —Application of Link Regulations.....	100
<i>Regulation 41</i> —Transfer of Contracts on the terms of a Linked Exchange Contract.....	101
<i>Regulation 41D</i> —Transfer to the Clearing House of Participating Exchange Contracts.....	103
<i>Regulation 42</i> —Default Affecting Transfer.....	104
<i>Regulation 43</i> —Collateral.....	107
<i>Regulation 44</i> —Impossibility of Transfer.....	108
<i>Regulation 45</i> —Cross Margining Regulations.....	109
<b>SWAPCLEAR REGULATIONS 110</b>	
<i>Regulation 46</i> —Application of SwapClear Regulations.....	110
<i>Regulation 47</i> —Registration of SwapClear Contracts.....	111
<i>Regulation 48</i> —Compression.....	114
<i>Regulation 48E</i> —[RESERVED].....	115
<i>Regulation 48F</i> —Multilateral Compression.....	116
<i>Regulation 49</i> —SwapClear Dealers.....	120
<i>Regulation 50</i> —Collateralisation of SwapClear Contracts.....	121
<i>Regulation 51</i> —The reset rate for, and the net present value of, a SwapClear Contract.....	123
<i>Regulation 52</i> —Withdrawal of the SwapClear Service by the Clearing House.....	124
<i>Regulation 52G</i> —SwapClear Clearing Client Business.....	125
<i>Regulation 52H</i> —Default Management in respect of SwapClear Clearing Client Business.....	128

Regulation 52I—Transfer.....	132
SCHEDULE TO THE SWAPCLEAR REGULATIONS — 138	
Part A — SwapClear Contract Terms.....	138
Part B — Product Eligibility Criteria for Registration of a SwapClear Contract.....	147
REPOCLEAR REGULATIONS — 159	
Regulation 53 — Application of RepoClear Regulations.....	159
Regulation 54 — Submission of details of RepoClear Transactions and RepoClear GC Transactions through an Approved Trade Matching System.....	160
Regulation 55 — Registration of RepoClear Contracts and RepoClear GC Contracts following Submission of Details of a RepoClear Transaction or RepoClear GC Transaction.....	162
Regulation 56 — RepoClear transactions entered into by RepoClear Clearing Members through an Automated Trading System.....	164
Regulation 56J — RepoClear transactions entered into by RepoClear Dealers through an Automated Trading System.....	168
Regulation 57 — RepoClear Dealers.....	172
Regulation 57K — Authorisation to act as a RepoClear Clearing Member.....	173
Regulation 58 — Daily Margining of RepoClear Contracts and RepoClear GC Contracts..	174
Regulation 59 — Delivery (or Other) Failures.....	175
Regulation 60 — Withdrawal of RepoClear Service by the Clearing House.....	176
SCHEDULE TO THE REPOCLEAR REGULATIONS — 177	
Part A — RepoClear Contract Terms: RepoClear Contracts arising from RepoClear Transactions, Repo Trades or Bond Trades.....	177
Part B — Product Eligibility Criteria for Registration of a RepoClear Contract.....	183
Part C — LCH GC Repo Contract Terms.....	192
Part D — Product Eligibility Criteria for Registration of a LCH GC Repo Contract.....	193
Part E — RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades.....	194
Part F — Product Eligibility Criteria for Registration of a RepoClear SGC Contract.....	200
Part G — RepoClear GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades.....	202
Part H — Product Eligibility Criteria for Registration of A RepoClear €GC Contract.....	209
EQUITYCLEAR REGULATIONS — 214	
Regulation 61 — Application of EquityClear Regulations.....	214
Regulation 62 — EquityClear.....	215
Regulation 62L — EquityClear (Equities) Open Offer for EquityClear (Equities) ATP Matches.....	215
Regulation 62M — EquityClear Novation Transactions.....	220
Regulation 62N — EquityClear Open Offer for EquityClear (ccCFD) ATP Matches ("EquityClear (ccCFD) Open Offer").....	225

<i>Regulation 63</i> —EquityClear NCMs .....	229
<i>Regulation 64</i> —Delivery (or Other) Failures .....	230
<i>Regulation 65</i> —Suspension of the EquityClear service or the EquityClear Open Offer .....	231
<i>Regulation 66</i> —Withdrawal of EquityClear Service by the Clearing House .....	232
<i>Regulation 67</i> —Rejection of ATP Matches and of EquityClear Novation Transactions .....	233
<i>Regulation 67O</i> —Rejection of EquityClear (ccCFD) ATP Matches .....	234

~~SCHEDULE TO THE EQUITYCLEAR REGULATIONS~~—235

<del>Part A</del> —EquityClear (Equities) Contract Terms .....	235
<del>Part B</del> —EquityClear Eligible (Equities).....	237
<del>Part C</del> —EquityClear (ccCFD) Contract Terms .....	238

~~LCH ENCLEAR OTC REGULATIONS~~—242

<i>Regulation 68</i> —Application of LCH EnClear OTC Regulations .....	242
<i>Regulation 69</i> —Registration of LCH EnClear Contracts .....	243
<i>Regulation 70</i> —LCH EnClear Contracts .....	244
<i>Regulation 71</i> —LCH EnClear Third Party Clearing Participants .....	245
<i>Regulation 72</i> —Daily Settlement .....	246
<i>Regulation 73</i> —Withdrawal of the LCH EnClear Service by the Clearing House .....	247
<i>Regulation 73P</i> —Registration of LCH EnClear OTC Contracts .....	248
<i>Regulation 73Q</i> —LCH EnClear OTC Contracts .....	249
<i>Regulation 73R</i> —Daily Settlement .....	251
<i>Regulation 73S</i> —[This provision has been left blank intentionally] .....	252
<i>Regulation 73T</i> —Withdrawal of the LCH EnClear OTC Services by the Clearing House .....	253

~~SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS~~—254

<del>Part A</del> —LCH EnClear OTC Contract Terms .....	254
<del>Part B</del> —Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract .....	291

~~Turquoise Derivatives REGULATIONS~~—304

<i>Regulation 74</i> —Application of Regulations for TGHL market.....	304
<i>Regulation 75</i> —Turquoise Derivatives Orderbook Matches made on TGHL Market .....	305
<i>Regulation 76</i> —Reported Trades and Turquoise Derivatives OTC Trades Reported to TGHL for Registration.....	309
<i>Regulation 77</i> —Registration of Turquoise Derivatives Cleared Exchange Contracts following Submission of Details of a Reported Trade or Turquoise Derivatives OTC Trade .....	310
<i>Regulation 78</i> —Delivery (or Other) Failures .....	311
<i>Regulation 79</i> —Suspension of the Open Offer for Turquoise Derivatives .....	312
<i>Regulation 80</i> —Withdrawal of Clearing House Turquoise Derivatives Services by the Clearing House .....	313

<i>Regulation 81</i> —Cancellation, variation etc of Turquoise Derivatives Cleared Exchange Contracts .....	314
<i>Regulation 82</i> —Rejection of Orderbook Matches .....	315
<i>Regulation 83</i> —Cross Border Transfers to the Clearing House of Contracts Executed by a Member of a Co-operating Exchange—Automatic Transfers .....	316
<i>Regulation 84</i> —Default affecting a Cross Border Transfer .....	317
<i>Regulation 85</i> —Impossibility of Transfer .....	318
<i>Regulation 86</i> —Options.....	319
<i>Regulation 87</i> —Re-registration of Contracts.....	320
<b>SCHEDULE TO THE Turquoise Derivatives REGULATIONS</b> .....	<b>321</b>
<b>Part A</b> .....Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise Derivatives OTC Trades .....	<b>321</b>
<b>Part B</b> .....Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC Trade.....	<b>325</b>
<b>HKME<sub>x</sub> REGULATIONS</b> .....	<b>327</b>
<i>Regulation 88</i> —Introduction and Application.....	327
<i>Regulation 89</i> —Presentation, allocation of HKME <sub>x</sub> Transactions and registration of HKME <sub>x</sub> Contracts .....	329
<i>Regulation 90</i> —HKME <sub>x</sub> Contracts .....	331
<i>Regulation 91</i> —Daily Settlement or Marking to Market.....	332
<b>NODAL REGULATIONS</b> .....	<b>334</b>
<i>Regulation 92</i> —Introduction and Application.....	334
<i>Regulation 93</i> —Presentation, Allocation of Nodal Transactions and Registration of Nodal Contracts .....	336
<i>Regulation 94</i> —Nodal Contracts .....	338
<i>Regulation 95</i> —Daily Settlement or Marking to Market.....	340
<b>NYSE LIFFE CLEARING REGULATIONS</b> .....	<b>342</b>
<i>Regulation 96</i> —Introduction and Application.....	342
<i>Regulation 97</i> —NYSE Liffe Clearing Membership.....	343
<i>Regulation 98</i> —Default of a NYSE Liffe Clearing Member .....	345
<b>RESERVED</b> .....	<b>346</b>
<i>Regulation 99</i> —RESERVED.....	346
<i>Regulation 100</i> —RESERVED.....	346
<i>Regulation 101</i> —RESERVED.....	346
<i>Regulation 102</i> —RESERVED.....	346
<b>FOREXCLEAR REGULATIONS</b> .....	<b>347</b>
<i>Regulation 103</i> —Application of ForexClear Regulations .....	347



<del>Regulation 104—Registration of Forex Clear Contracts .....</del>	<del>350</del>
<del>Regulation 105—Forex Clear Contracts .....</del>	<del>352</del>
<del>Regulation 106—Cancellation of Forex Clear Contracts .....</del>	<del>354</del>
<del>Regulation 107—Forex Clear Dealers .....</del>	<del>355</del>
<del>Regulation 108—Variation Margin .....</del>	<del>356</del>
<del>Regulation 108U—Discontinuation of a Settlement Rate Option .....</del>	<del>357</del>
<del>Regulation 109—Withdrawal of the Forex Clear Service by the Clearing House .....</del>	<del>358</del>
<del>SCHEDULE TO THE FOREXCLEAR REGULATIONS .....</del>	<del>359</del>
<del>Part A—Forex Clear Contract Terms .....</del>	<del>359</del>
<del>Part B—Product Eligibility Criteria for Registration of a Forex Clear Contract .....</del>	<del>364</del>
<del>NLX REGULATIONS .....</del>	<del>366</del>
<del>Regulation 110—Introduction and Application .....</del>	<del>366</del>
<del>Regulation 111—Presentation, Allocation of NLX Transactions and Registration of NLX Contracts .....</del>	<del>368</del>
<del>Regulation 112—NLX Contracts .....</del>	<del>370</del>
<del>Regulation 113—Daily Settlement or Marking to Market .....</del>	<del>372</del>
<u>Regulation 1 Definitions .....</u>	<u>3</u>
<u>Chapter I – SCOPE .....</u>	<u>64</u>
<u>Regulation 2 Obligations of the Clearing House to each Member .....</u>	<u>64</u>
<u>Regulation 3 Performance by the Clearing House of its Obligations under the Terms of an Open Contract .....</u>	<u>65</u>
<u>Chapter II – STATUS .....</u>	<u>66</u>
<u>Regulation 4 Clearing Member Status of the Clearing House .....</u>	<u>66</u>
<u>Regulation 5 Resigning and Retiring Members .....</u>	<u>67</u>
<u>Regulation 6 Co-operating Clearing House Status .....</u>	<u>70</u>
<u>Regulation 7 Non-Member Market Participant Status .....</u>	<u>71</u>
<u>Regulation 8 Dealer Status .....</u>	<u>72</u>
<u>Regulation 9 Service Withdrawal .....</u>	<u>73</u>
<u>Chapter III – ACCOUNTS AND CLIENT CLEARING .....</u>	<u>74</u>
<u>Regulation 10 Accounts .....</u>	<u>74</u>
<u>Regulation 11 Client Clearing Business .....</u>	<u>76</u>
<u>Chapter IV – CONTRACT FORMATION, REGISTRATION AND TRANSFER .....</u>	<u>81</u>
<u>Regulation 12 Novation .....</u>	<u>81</u>
<u>Regulation 13 Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts .....</u>	<u>82</u>
<u>Regulation 14 Allocation of Original Exchange Contracts .....</u>	<u>83</u>
<u>Regulation 15 Designation .....</u>	<u>84</u>
<u>Regulation 16 Registration .....</u>	<u>85</u>

<u>Regulation 17</u>	<u>Trading Information.....</u>	<u>90</u>
<u>Regulation 18</u>	<u>Transfer.....</u>	<u>91</u>
<u>Regulation 19</u>	<u>Transactions entered into through an Automated Trading System or Platform</u>	<u>92</u>
<u>Chapter V – COLLATERAL AND VALUATIONS .....</u>		<u>94</u>
<u>Regulation 20</u>	<u>Margin and Collateral.....</u>	<u>94</u>
<u>Regulation 21</u>	<u>Premium under Option Contracts.....</u>	<u>100</u>
<u>Regulation 22</u>	<u>Official Quotations and Reference Price.....</u>	<u>101</u>
<u>Regulation 23</u>	<u>Daily Settlement or Marking to Market.....</u>	<u>102</u>
<u>Regulation 24</u>	<u>Settlement and Revaluation: Clearing Processing System.....</u>	<u>104</u>
<u>Regulation 25</u>	<u>Other Modes of Settlement and Revaluation.....</u>	<u>105</u>
<u>Chapter VI – OPTIONS, OPEN CONTRACTS SUBJECT TO TENDER AND DELIVERY CONTRACTS .....</u>		<u>106</u>
<u>Regulation 26</u>	<u>Exercise of Options.....</u>	<u>106</u>
<u>Regulation 27</u>	<u>Delivery Contract Arising upon the Exercise of an Option.....</u>	<u>107</u>
<u>Regulation 28</u>	<u>Obligation to Make and Accept Tender under Cleared Exchange Contracts</u>	<u>109</u>
<u>Regulation 29</u>	<u>Delivery Contracts.....</u>	<u>111</u>
<u>Regulation 30</u>	<u>Open Contracts Subject to Tender.....</u>	<u>112</u>
<u>Regulation 31</u>	<u>Arrangements for Delivery and Payment of Price.....</u>	<u>113</u>
<u>Regulation 32</u>	<u>Restrictions on Clearing House’s Obligations and Liability.....</u>	<u>114</u>
<u>Chapter VII – DISPUTE RESOLUTION.....</u>		<u>115</u>
<u>Regulation 33</u>	<u>Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery) .....</u>	<u>115</u>
<u>Regulation 34</u>	<u>Collateral in Event of a Claim.....</u>	<u>119</u>
<u>Chapter VIII – DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE MAJEURE .....</u>		<u>120</u>
<u>Regulation 35</u>	<u>Delivery (or other) Failures.....</u>	<u>120</u>
<u>Regulation 36</u>	<u>Default of a Member: Substituted Obligation.....</u>	<u>121</u>
<u>Regulation 37</u>	<u>Market Disorders, Impossibility of Performance, Trade Emergency.....</u>	<u>122</u>
<u>Regulation 38</u>	<u>Force Majeure.....</u>	<u>124</u>
<u>Chapter IX – INVOICING BACK AND CURRENCY CONVERSION .....</u>		<u>125</u>
<u>Regulation 39</u>	<u>Invoicing Back.....</u>	<u>125</u>
<u>Regulation 40</u>	<u>Currency Conversion.....</u>	<u>127</u>
<u>Chapter X – DISCLOSURE, FEES, RECORDS AND AMENDMENTS.....</u>		<u>128</u>
<u>Regulation 41</u>	<u>Disclosure and Reporting.....</u>	<u>128</u>
<u>Regulation 42</u>	<u>Fees and Other Charges.....</u>	<u>129</u>
<u>Regulation 43</u>	<u>Records.....</u>	<u>130</u>
<u>Regulation 44</u>	<u>Alteration of Regulations and the Procedures.....</u>	<u>131</u>
<u>Chapter XI – NETTING AND DISTRIBUTION.....</u>		<u>132</u>
<u>Regulation 45</u>	<u>Netting.....</u>	<u>132</u>

<u>Regulation 46</u>	<u>Distribution of Assets</u>	<u>136</u>
<u>REGULATION 46A</u>	<u>Solvency Threatening Treasury Default Loss</u>	<u>137</u>
<u>Chapter XII – MISCELLANEOUS</u>		<u>139</u>
<u>Regulation 47</u>	<u>Procedures</u>	<u>139</u>
<u>Regulation 48</u>	<u>Interpretation of these Regulations</u>	<u>140</u>
<u>Regulation 49</u>	<u>Waiver</u>	<u>141</u>
<u>Regulation 50</u>	<u>Validity of Regulations and Action</u>	<u>142</u>
<u>Regulation 51</u>	<u>Governing Law and Jurisdiction</u>	<u>143</u>
<u>Regulation 52</u>	<u>Exclusion of Liability</u>	<u>144</u>
<u>Chapter XIII – LME REGULATIONS</u>		<u>147</u>
<u>Regulation 53</u>	<u>Application</u>	<u>147</u>
<u>Chapter XIV – SWAPCLEAR REGULATIONS</u>		<u>151</u>
<u>Regulation 54</u>	<u>Application of SwapClear Regulations</u>	<u>151</u>
<u>Regulation 55</u>	<u>Registration of SwapClear Contracts</u>	<u>154</u>
<u>Regulation 56</u>	<u>Compression</u>	<u>158</u>
<u>Regulation 57</u>	<u>Collateralisation of SwapClear Contracts</u>	<u>163</u>
<u>Regulation 58</u>	<u>The reset rate for, and the net present value of, a SwapClear Contract</u>	<u>165</u>
<u>Regulation 59</u>	<u>Default Management in respect of SwapClear Client Clearing Business</u>	<u>166</u>
<u>Regulation 60</u>	<u>Transfer</u>	<u>167</u>
<u>Regulation 60A</u>	<u>Provision of Inflation Swap Market Data</u>	<u>174</u>
<u>Chapter XV – REPOCLEAR REGULATIONS</u>		<u>176</u>
<u>Regulation 61</u>	<u>Application of RepoClear Regulations</u>	<u>176</u>
<u>Regulation 62</u>	<u>Submission of details of RepoClear Transactions and RepoClear GC Transactions through an Approved Trade Matching System</u>	<u>180</u>
<u>Regulation 63</u>	<u>RepoClear transactions entered into through an Automated Trading System</u>	<u>181</u>
<u>Regulation 64</u>	<u>Disputes</u>	<u>184</u>
<u>Regulation 65</u>	<u>Authorisation to act as a RepoClear Clearing Member</u>	<u>185</u>
<u>Regulation 66</u>	<u>Daily Margining of RepoClear Contracts and RepoClear GC Contracts</u>	<u>186</u>
<u>Chapter XVI – EQUITYCLEAR REGULATIONS</u>		<u>187</u>
<u>Regulation 67</u>	<u>Application of EquityClear Regulations</u>	<u>187</u>
<u>Regulation 68</u>	<u>EquityClear Open Offer for EquityClear ATP Matches</u>	<u>191</u>
<u>Regulation 69</u>	<u>EquityClear Novation Transactions</u>	<u>195</u>
<u>Regulation 70</u>	<u>Disputes and Limitation of Liability</u>	<u>198</u>
<u>Regulation 71</u>	<u>Suspension of the EquityClear service or the EquityClear Open Offer</u>	<u>199</u>
<u>Regulation 72</u>	<u>Rejection of ATP Matches and of EquityClear Novation Transactions</u>	<u>200</u>
<u>Chapter XVII – LCH ENCLEAR OTC REGULATIONS</u>		<u>201</u>
<u>Regulation 73</u>	<u>Application of LCH EnClear OTC Regulations</u>	<u>201</u>
<u>Regulation 74</u>	<u>Registration of LCH EnClear OTC Contracts</u>	<u>205</u>

<u>Regulation 75</u>	<u>Daily Settlement .....</u>	<u>206</u>
<u>Chapter XVIII – TURQUOISE DERIVATIVES REGULATIONS .....</u>	<u>.....</u>	<u>207</u>
<u>Regulation 76</u>	<u>Application of Regulations for TGHL market.....</u>	<u>207</u>
<u>Regulation 77</u>	<u>Turquoise Derivatives Orderbook Matches made on TGHL Market.....</u>	<u>211</u>
<u>Regulation 78</u>	<u>Reported Trades and Turquoise Derivatives OTC Trades Reported to TGHL for Registration.....</u>	<u>215</u>
<u>Regulation 79</u>	<u>Registration of Turquoise Derivatives Cleared Exchange Contracts following Submission of Details of a Reported Trade or Turquoise Derivatives OTC Trade .....</u>	<u>216</u>
<u>Regulation 80</u>	<u>Suspension of the Open Offer for Turquoise Derivatives .....</u>	<u>217</u>
<u>Regulation 81</u>	<u>Cancellation, variation etc of Turquoise Derivatives Cleared Exchange Contracts .....</u>	<u>218</u>
<u>Regulation 82</u>	<u>Rejection of Orderbook Matches.....</u>	<u>219</u>
<u>Regulation 83</u>	<u>[Cross-Border Transfers to the Clearing House of Contracts Executed by a Member of a Co-operating Exchange - Automatic Transfers .....</u>	<u>220</u>
<u>Regulation 84</u>	<u>[Default affecting a Cross-Border Transfer.....</u>	<u>222</u>
<u>Regulation 85</u>	<u>[Impossibility of Transfer.....</u>	<u>223</u>
<u>Regulation 86</u>	<u>Options.....</u>	<u>224</u>
<u>Regulation 87</u>	<u>Re-registration of Contracts.....</u>	<u>225</u>
<u>Chapter XIX [– HKMEX REGULATIONS].....</u>	<u>.....</u>	<u>226</u>
<u>Regulation 88</u>	<u>[Application.....</u>	<u>226</u>
<u>Chapter XX – NODAL REGULATIONS .....</u>	<u>.....</u>	<u>230</u>
<u>Regulation 89</u>	<u>Application .....</u>	<u>230</u>
<u>Chapter XXI – FOREXCLEAR REGULATIONS.....</u>	<u>.....</u>	<u>235</u>
<u>Regulation 90</u>	<u>Application of ForexClear Regulations.....</u>	<u>235</u>
<u>Regulation 91</u>	<u>Registration of ForexClear Contracts.....</u>	<u>239</u>
<u>Regulation 92</u>	<u>Cancellation of ForexClear Contracts .....</u>	<u>241</u>
<u>Regulation 93</u>	<u>Variation Margin .....</u>	<u>242</u>
<u>Chapter XXII – NLX REGULATIONS .....</u>	<u>.....</u>	<u>243</u>
<u>Regulation 94</u>	<u>Application .....</u>	<u>243</u>
<u>Chapter XXIII – FEX REGULATIONS.....</u>	<u>.....</u>	<u>247</u>
<u>Regulation 95</u>	<u>Application .....</u>	<u>247</u>

**~~LCH.CLEARNET LIMITED~~**  
**~~GENERAL REGULATIONS OF THE CLEARING HOUSE~~**

## 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.

~~The Link Regulations set out in Regulations 40 to 44 apply only to Contracts on the terms of a Linked Exchange Contract as further provided in Regulation 40.~~

~~The SwapClear Regulations set out in Regulations 46 to 52~~Regulation 53 applies only to LME Contracts. Save as provided in Regulation 53, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LME Contracts.

~~Regulation 54 to Regulation 60 (inclusive) apply only to SwapClear Contracts. Save as provided in Regulation 46, the provisions of Regulations 1 to 39A~~Regulation 54, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to SwapClear Contracts.

~~The RepoClear Regulations set out in Regulations 53 to 60~~Regulation 61 to Regulation 66 (inclusive) apply only to RepoClear Contracts. Save as provided in Regulation 53, the provisions of Regulations 1 to 39ARegulation 61, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to RepoClear Contracts.

~~The EquityClear Regulations set out in Regulations 61 to 67~~Regulation 67 to Regulation 72 (inclusive) apply only to EquityClear Contracts. Save as provided in Regulation 61, the provisions of Regulation 1 to 39ARegulation 67, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to EquityClear Contracts.

~~LCH EnClear OTC Regulations set out in Regulation 68 and Regulations 73A to 73D respectively~~Regulation 73 to Regulation 75 (inclusive) apply only to LCH EnClear OTC Contracts. Save as provided in Regulation 68, the provisions of Regulation 1 to 39ARegulation 73, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to LCH EnClear OTC Contracts.

~~The Turquoise Derivatives Regulations set out in Regulations 74 to 87~~Regulation 76 to Regulation 87 (inclusive) apply only to Turquoise Derivatives Cleared Exchange Contracts which are eligible for clearing pursuant to these Regulations and the Turquoise Derivatives Rules. Save as provided in Regulation 76, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to Turquoise Derivatives Cleared Exchange Contracts.

~~The HKMEx Regulations set out in Regulations 88 to 91 apply only to HKMEx Contracts.~~

~~The Nodal Regulations set out in Regulations 92 to 95 apply only to Nodal Contracts.~~

~~The ForexClear Regulations set out in Regulations 103 to 109~~[Regulation 88 applies only to HKMEx Contracts. Save as provided in Regulation 88, the provisions of Regulation 2 to Regulation 52 (inclusive) shall not apply to HKMEx 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 (inclusive) apply only to ForexClear Contracts. Save as provided in~~Regulation 103,~~Regulation 90, the provisions of ~~Regulations 1~~Regulation 2 to ~~39A~~Regulation 52 (inclusive) shall not apply to ForexClear Contracts.

~~The NLX Regulations set out in Regulations 110 to 113 apply only to NLX Contracts.~~

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

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



## REGULATION 1 DEFINITIONS

~~Terms not otherwise defined have the meaning given to them in the General Regulations of the Clearing House.~~

For the purpose of a ballot under clause 9.4(c) of the Clearing Membership Agreement, "Quarter Day" shall be construed as referring to a Determination Date.

Any reference in these Regulations or the Procedures to statutes or statutory instruments or provisions thereof shall be to such statutes or statutory instruments or provisions thereof as amended, modified or replaced from time to time.

Reference to writing contained in these Regulations or the Procedures shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.

Words importing the singular shall, where the context permits, include the plural and vice-versa.

Any reference to time contained in these Regulations or the Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.

Any reference in these Regulations to a person or a party (howsoever described) shall include its successors.

Headings are used herein for ease of reference only.

## CHAPTER I – SCOPE

### **Regulation 4REGULATION 2 OBLIGATIONS OF THE CLEARING HOUSE TO EACH MEMBER**

- (a) The Clearing House shall perform the obligations referred to in paragraph ~~(b) below~~(b) below so as to ensure the performance of all open contracts in accordance with these Regulations.
- (b) The obligations of the Clearing House to each Member shall be, as a counterparty to an open contract registered in the name of a Member in accordance with these Regulations and the Procedures, to perform its obligations under the terms of such open contract as principal to such Member in accordance with the provisions of these Regulations and the Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these Regulations.
- (c) The performance by the Clearing House of its obligations referred to in this ~~Regulation~~ Regulation 2 shall always be subject to the provisions of these Regulations. The benefit of the performance by the Clearing House of such obligations is conferred upon Members as principals and upon no other persons whatsoever. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this Regulation or any of the other Regulations to any person who is not a member. Rights of third parties to enforce any provision of any of these Regulations pursuant to the Contract (Rights of Third Parties) Act 1999 are expressly excluded.

**~~Regulation 2~~REGULATION 3** **PERFORMANCE BY THE CLEARING HOUSE OF ITS OBLIGATIONS UNDER THE TERMS OF AN OPEN CONTRACT**

The Clearing House's obligations under the terms of an open contract shall be performed (a) in the manner and form and by such day and time as may be prescribed in Exchange Rules (where applicable), these Regulations or the Procedures, and (b) in the case of an open contract to which the Clearing House is party with a Member which is a ~~Participating Exchange~~Co-operating Clearing House, in accordance with the terms of any agreement made with such Member, save that (i) where Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an exchange contract, the Clearing House shall be deemed to have complied with Exchange Rules if it performs its obligations under the terms of an open contract, as seller or buyer, as the case may be, promptly after such time, unless Exchange Rules expressly provide that performance must be made by the Clearing House by such time; -and (ii) where the Economic Terms of an OTC Contract, or the EquityClear Contract Terms, or the LCH EnClear OTC Contract Terms specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with the Economic Terms, or the EquityClear Contract Terms or the LCH EnClear OTC Contract Terms, as applicable, if it performs its obligations promptly after such time.

## CHAPTER II – STATUS

### REGULATION 4 CLEARING MEMBER STATUS OF THE CLEARING HOUSE

- (a) Application for clearing member status of the Clearing House shall be made in accordance with the Procedures. A Member's clearing member status of the Clearing House shall be governed by these Regulations, the Procedures and any Clearing Membership Agreement to which he is for the time being party. Clearing member status does not provide or entitle a Member to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, which has separate and distinct membership requirements.
- (b) The Clearing House shall determine which categories of Contract a Member is eligible to have registered in its name from time to time. If, in its absolute discretion, the Clearing House determines that a Member no longer meets the relevant eligibility criteria for a particular category, or categories, of Contract the Clearing House may rescind that Member's eligibility to have Contracts of such category or categories registered in his name, but without prejudice to his right to have registered in his name, subject to the Regulations, the categories of Contracts in respect of which the Member does meet the eligibility criteria. The Clearing House may from time to time publish a list of Members identifying the category or categories of Contracts which each Member is eligible to have registered in its name.
- (c) A Member shall be a principal to and not an agent in respect of any Contract registered in his name with the Clearing House. In performing its obligations and exercising its rights under these Regulations, the Clearing House shall take no account of any right or interest which any person other than the Member may have in any Collateral transferred by such Member to the Clearing House.

## REGULATION 5 RESIGNING AND RETIRING MEMBERS

- (a) A Clearing Member may resign from a particular Service by exercising its rights under Rules C7(e), E7(e), F3(e), L7(e), R3(d) or S3(e) of the Default Rules (each an "Accelerated Termination Provision"), or by giving no less than three months' written notice to the Clearing House by completing a Resignation Letter, a copy of which can be obtained from the Clearing House Membership Department. Resignation takes effect on the Resignation Effective Date, which is:
- (i) where the Clearing Member is exercising its rights under, and has complied with the requirements of, the Accelerated Termination Provision for the relevant Service, the date determined in accordance with that Accelerated Termination Provision; or
  - (ii) otherwise, the later of: (A) the resignation date specified in the written notice to the Clearing House in relation to the relevant Service; and (B) the date on which all Contracts registered in the Resigning Member's name on the relevant Service have been closed out or transferred so as to ensure that there are no remaining open Contracts in respect of the relevant Service to which the Resigning Member is a party.
- (b) Upon the Clearing House being satisfied that the Resigning Member is not a Defaulter and that all obligations of the Resigning Member to which the relevant Collateral is capable of being applied in accordance with the Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:
- (i) the Clearing House shall: (A) in the case of cash Collateral transferred to the Clearing House for the purpose of collateralising the Resigning Member's obligations in respect of the relevant Service (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer an amount of cash to the Resigning Member equal to such cash; and (B) in the case of non-cash Collateral transferred to the Clearing House for the purpose of collateralising the Resigning Member's obligations in respect of the relevant Service (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to the Resigning Member; and
  - (ii) the Resigning Member shall, in the case of cash Collateral transferred to the Resigning Member for the purpose of collateralising the Clearing House's obligations in respect of the relevant Service (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer an amount of cash to the Clearing House equal to such cash.
- (c) A Resigning Member other than a Defaulter who is resigning from a particular Service shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Resigning Member may be required to maintain some or all of its Contribution in connection with that Service until after the completion of the default management process related to the relevant Default, notwithstanding that the relevant Resignation Effective Date might occur prior to such time.

- (d) A Clearing Member must at all times be a Clearing Member in respect of at least one Service, and a Clearing Member may not utilise the resignation process set out in paragraphs (a) to (c) above so as to resign from all (or all remaining) Services in respect of which he is a Clearing Member. Where a Clearing Member wishes to stop being a Clearing Member in respect of all (or all remaining) Services, the retirement process set out in paragraphs (e) to (g) below should be used.
- (e) A Clearing Member may, in accordance with clause 8 of the Clearing Membership Agreement and as further described in the Procedures, retire from Clearing Member status altogether by giving no less than three months' written notice to the Clearing House. Retirement takes effect on the Retirement Effective Date, which is the later of: (i) the retirement date specified in the notice of retirement; and (ii) the date on which all Contracts registered in the Retiring Member's name have been closed out or transferred so as to ensure that there are no remaining open Contracts to which the Retiring Member is a party. A Clearing Member may also retire from Clearing Member status by exercising its rights under the Accelerated Termination Provision(s) applying to all Services in which it participates; in this case, the Retirement Effective Date is the date on which the Retiring Member's resignation from the last remaining Service becomes effective in accordance with the relevant Accelerated Termination Provision.
- (f) Upon the Clearing House being satisfied that the Retiring Member is not a Defaulter and that all obligations of the Retiring Member to which the relevant Collateral is capable of being applied in accordance with the Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:
- (i) the Clearing House shall: (A) in the case of cash Collateral transferred to the Clearing House for the purpose of collateralising the Retiring Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer an amount of cash to the Retiring Member equal to such cash; and (B) in the case of non-cash Collateral transferred to the Clearing House for the purpose of collateralising the Retiring Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to the Retiring Member; and
- (ii) the Retiring Member shall, in the case of cash Collateral transferred to the Retiring Member for the purpose of collateralising the Clearing House's obligations (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer an amount of cash to the Clearing House equal to such cash.
- (g) A Retiring Member other than a Defaulter shall be liable in respect of Aggregate Excess Losses relating to any Default which arises prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Default Rules, the Retiring Member may be required to maintain some or all of its Contribution until after the completion of the default management process related to the relevant Default, notwithstanding that the Retirement Effective Date might occur prior to such time.
- (h) Clearing Members should contact the Clearing House Membership Department (+44 (0)20 7426 7949; membership@lchclearnet.com) for further details on how to retire from Clearing Member status or how to resign from a particular Service.

- (i) The Clearing House may also, by giving no less than three months' written notice, require a Clearing Member to retire from Clearing Member status or to resign from one or more specific Services. Following the service of such a notice, the relevant Clearing Member will become a Retiring Member or a Resigning Member (as the case may be) and will be required to close out or transfer all Contracts registered in its name or all Contracts registered in its name in connection with the specified Service or Services, respectively, by the date specified in the relevant notice.
- (j) The arrangements for a Clearing Member who is a Defaulter to resign from a particular Service or retire from Clearing Member status and for the repayment of the Collateral and the Contributions provided by such Defaulter to the Clearing House are as set out in the Default Rules.

## REGULATION 6 CO-OPERATING CLEARING HOUSE STATUS

- (a) A Co-operating Clearing House is a [(i) a Co-operating Exchange or Associated Clearing House party to a Link Agreement with the Clearing House; or (ii)]<sup>1</sup> a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract.
- (b) Regulation 4(a) above, shall not apply to a Co-operating Clearing House. Admission of a Co-operating Clearing House shall be governed by the policies of the Clearing House. A Co-operating Clearing House is a Special Member.
- (c) A list of Co-operating Clearing Houses currently admitted and information regarding the Link Agreements is available on the Clearing House's website.

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<sup>1</sup> To delete if Oslo Interoperability Agreement is not approved.



## REGULATION 7 NON-MEMBER MARKET PARTICIPANT STATUS

- (a) In accordance with this Regulation 7 and the Procedures, an NCP may submit instructions and present Exchange Transactions or EquityClear trades to the Clearing House on behalf of a Clearing Member.
- (b) A Clearing Member must, in accordance with the Procedures, notify the Clearing House of the appointment of an NCP as the Clearing Member's agent.
- (c) The Clearing House shall be entitled to rely on information and instructions received from an NCP. The Clearing Member remains fully responsible for meeting all obligations to the Clearing House in respect of all Contracts arising from such instructions delivered by or on behalf of an NCP.
- (d) The termination by the Clearing Member of its arrangement with an NCP shall be without prejudice to the Clearing Member's obligations arising from or in relation to any Exchange Transaction, EquityClear trades or Contracts arising prior to such termination.

## REGULATION 8 DEALER STATUS

- (a) Application for admission to one or more Dealer Registers shall be made in accordance with these Regulations and the Procedures. An applicant for admission to a Dealer Register must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the relevant Dealer Register(s). A Dealer shall be subject to, and governed by, these Regulations, the Procedures and the Dealer Clearing Agreement(s) to which it is for the time being party.
- (b) A person admitted to a Dealer Register shall at all times satisfy the criteria prescribed from time to time by the Clearing House for admission to that Dealer Register and any rules prescribed from time to time by the Clearing House for Dealers in the relevant Service.
- (c) The Clearing House may suspend or remove a Dealer from one or more Dealer Registers in accordance with these Regulations, the Procedures and, if applicable, the Dealer Clearing Agreement(s) to which it is for the time being party. Any person who has been suspended from a Dealer Register for a period of more than three months shall be removed from that Dealer Register and must make a new application if it wishes to be re-admitted to that Dealer Register.
- (d) A Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from one or more Dealer Registers. At the end of such notice period, the Clearing House shall remove the Dealer from the relevant Dealer Register(s).
- (e) A SwapClear Dealer's suspension or removal from a Dealer Register under Regulation 8(c), shall not, where it is a Member, affect its membership of the Clearing House, nor, subject to any contrary determination by the Clearing House under Regulation 4, shall it affect the categories of Contract which such a person is eligible to have registered in its name.
- (f) Where a Clearing Member is also a Dealer it shall, automatically on the Clearing House serving a default notice in accordance with these Regulations, be removed from each relevant Dealer Register.
- (g) Without prejudice to paragraph (f) of this Regulation, the Clearing House shall suspend from each Dealer Register any Member whose Clearing Membership Agreement has been terminated or who is no longer eligible to have Contracts in the relevant Service registered in its name, and who is not, from the date of such termination or such ineligibility, party to a Dealer Clearing Agreement with another Clearing Member in the relevant Service, for such period as the Clearing House may determine.
- (h) The Clearing House may, for the purposes of this Regulation 8, prescribe different criteria to be satisfied by RepoClear Dealers in respect of Repo Trades, Bond Trades, RepoClear Transactions, RepoClear GC Transactions or GC Trades.

## REGULATION 9 SERVICE WITHDRAWAL

- (a) If at any time the Clearing House decides to withdraw part or the whole of a Service it shall give not less than six months' notice in accordance with the Clearing Membership Agreement, the relevant Dealer Clearing Agreement and/or the Procedures (as applicable) to all Dealers and Clearing Members participating in that Service (for the purposes of this Regulation 9, the "affected Participants") of the date on which the service will be withdrawn (the "**Relevant Withdrawal Date**"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, one or more affected Participants shall not invalidate the Relevant Withdrawal Date. Where only a part of a Service is being withdrawn, notice need only be given to those Dealers and Clearing Members authorised or approved to participate in that part of the relevant Service. If the Clearing House becomes aware that it has omitted to give notice under this Regulation to any affected Participant prior to the Relevant Withdrawal Date it will immediately notify the affected Participant of the Relevant Withdrawal Date in accordance with the applicable notice provisions.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the Relevant Withdrawal Date. Unless otherwise specified in the notice, and without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register a Contract in respect of the relevant Service, other than a closing-out contract, after notice to withdraw the service has been given under Regulation 9(a).
- (c) If at the Relevant Withdrawal Date (or, in respect of the ForexClear Service, the date falling five Business Days before the Relevant Withdrawal Date) a Clearing Member who is an affected Participant has not closed out all open Contracts in respect of the relevant Service registered in its name, the Clearing House shall (in the case of a Relevant Withdrawal Date in respect of the ForexClear Service, with five Business Days' notice to the affected ForexClear Clearing Member) at its sole discretion, be entitled to:
- (i) liquidate any or all of such Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and/or
  - (ii) postpone the Relevant Withdrawal Date until such time as the Clearing House determines.
- (d) Business Days for the purpose of this Regulation 9 means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

## CHAPTER III – ACCOUNTS AND CLIENT CLEARING

### REGULATION 10 ACCOUNTS

- (a) Accounts (including, where requested, Client Accounts) shall be opened between each Member and the Clearing House in accordance with the Procedures. The Clearing House shall offer segregated accounts (i) by maintaining separate records enabling it to distinguish in accounts the positions and assets held for the account of one Clearing Member from the positions and assets held for the account of any other Clearing Member; (ii) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients on an Omnibus Segregated Account basis, by offering to keep separate records enabling each Clearing Member to distinguish in accounts with the Clearing House its own proprietary positions and assets from those held for the account of its Clearing Clients; (iii) by allowing Clearing Members to provide Client Clearing Services to Clearing Clients on an Individual Segregated Account basis, by offering to keep separate records enabling each Clearing Member to distinguish in accounts with the Clearing House positions and assets (including, for the avoidance of doubt, Client Excess) for the account of an individual Clearing Client from those held for the accounts of other Clearing Clients and those held by the Clearing Member; and (iv) by allowing Clearing Members to provide Client Clearing Services to Indirect Clearing Clients, by maintaining separate records and accounts enabling each Individual Segregated Account Clearing Client acting on behalf of Indirect Clearing Clients to distinguish in accounts held with the Clearing House the assets and positions of the Individual Segregated Account Clearing Client from those held for the accounts of the relevant Indirect Clearing Clients. Regulation 11(g) below provides information in respect of the different types of Client Accounts. For the avoidance of doubt, a Member shall be responsible for all obligations owed to the Clearing House in respect of every account opened in respect of such Member.
- (b) This paragraph applies to a Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Member's Proprietary Accounts, and to set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of such accounts. Further detail in respect of the composition and operation of Proprietary Accounts is set out in the Procedures Section 3 (*Financial Transactions*), paragraph 1.1 (*Accounts and Ledgers*).
- (c) This paragraph applies to a Member's Client Accounts. Save in the case of a Cross-ISA Client Excess Deduction, the Clearing House shall not combine or consolidate the balances on or positions recorded in a Member's Client Accounts or set off any amount or amounts standing to the credit of any such Client Account in or towards payment or satisfaction of the Member's liabilities to the Clearing House on any other such Client Account or on any Proprietary Account. Further detail in respect of the composition and operation of Client Accounts is set out in the Procedures Section 3 (*Financial Transactions*), paragraph 1.1 (*Accounts and Ledgers*).
- (d) Amounts standing to the credit of a Member's Proprietary Accounts may be applied by the Clearing House towards the payment of any sum whatsoever due by the Member to the Clearing House whether or not arising under these Regulations, save that, subject to Rule 8(d) of the Default Rules, no amounts standing to the credit of such accounts (other than House Excess) shall be applied in or towards payment or satisfaction of all or any of the

Member's liabilities to the Clearing House on any one or more of the Member's Client Accounts. Amounts standing to the credit of a Member's account relating to Contributions made under the Default Rules may be applied as provided for in the Default Rules.

- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Rules and to Regulation 66(d)) be paid, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any of the Member's Proprietary Accounts and/or Client Accounts.
- (g) Debit balances due to the Clearing House on any account opened in respect of a Member are payable by such Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the Procedures.
- (h) Subject to the provisions of the Default Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to Exchanges and to Members in accordance with the Procedures.
- (i) If a Member specifies a Termination Date under Regulation 45, the Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent; but excluding any claims in respect of the outstanding balance of a Clearing Member's Contribution under Default Rule 16(a)(i)) due as between the Clearing House and the Member, **provided, however, that** a Termination Amount or other sum payable in respect of an amount recorded in or referable to a kind of account may not be combined or set-off against any other amount unless such other amount is recorded in or referable to the same kind of account. For the purposes of this Regulation 10(i), each Client Account of the Member shall constitute a separate "kind of account" but the Proprietary Accounts of the Member shall together constitute a single "kind of account".
- (j) Where a payment has been made to the Clearing House by a Member through the PPS, that payment will only be credited to the account of the Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) the institution has made the relevant payments to other Members on the date when the payment was due to be received by the Clearing House.

## REGULATION 11 CLIENT CLEARING BUSINESS

- (a) The Services are provided by the Clearing House to Clearing Members. Any Clearing Member who wishes to offer Client Clearing Services in respect of a Service to its clients shall apply to the Clearing House and obtain the approval of the Clearing House before first offering such Client Clearing Services in respect of such Service. Any Client Clearing Services related services which are offered by a Clearing Member prior to obtaining the approval of the Clearing House shall not be treated as Client Clearing Services and the clients of the Clearing Member receiving such services shall not be treated as Clearing Clients. In accordance with the requirement under Article 39(7) of EMIR the Clearing House has published the Account Information Documents which together contain information regarding the levels of protection and account segregation which the Clearing House provides and the costs associated with such levels of segregation. The Account Information Documents are available on the Clearing House's website and are also made available to Clearing Members and Clearing Clients upon request.
- (b) Following the receipt of an application from a Clearing Member pursuant to paragraph (a) above, the Clearing House will confirm to a Clearing Member whether or not it is an Exempt Client Clearing Member.
- (c) Each Clearing Member which is designated by the Clearing House as an Exempt Client Clearing Member undertakes and agrees with the Clearing House on the following terms:
- (i) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Account Balances relating to those of its Clearing Clients whose Relevant Contracts are transferred to a Backup Clearing Member in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant transfer);
- (ii) such Exempt Client Clearing Member shall pay or deliver (as applicable) to or to the order of the Clearing House each of the Client Clearing Entitlements relating to those of its Individual Segregated Account Clearing Clients, Affiliated Omnibus Segregated Clearing Clients and Identified Omnibus Segregated Clearing Clients whose Relevant Contracts are closed out and liquidated in accordance with the Client Clearing Annex (each such obligation of the Exempt Client Clearing Member being accelerated so as to become immediately due and payable at the time of the relevant close out and liquidation); and
- (iii) the obligations set out in sub-paragraphs (i) and (ii) of this paragraph (c) (the "**Undertaking to Pay and Deliver**") shall, for the avoidance of doubt, constitute Secured Obligations as defined in and provided for by the Deed of Charge between such Exempt Client Clearing Member and the Clearing House.
- (d) The approval of the offering and the provision of Client Clearing Services on an Individual Segregated Account basis, Affiliated Client Omnibus Segregated Account basis or Identified Client Omnibus Segregated Account basis by any Clearing Member which is not such an Exempt Client Clearing Member will be conditional upon (i) the entering into by such Clearing Member of a Security Deed in respect of each of its Clearing Clients in relation to amounts due to it from the Clearing House; (ii) delivery to the Clearing House of evidence of the Clearing Member having entered into such Security Deed, such evidence to be in a

form satisfactory to the Clearing House (in the Clearing House's sole discretion) and (iii) the making of any amendments to each such Security Deed as may be prescribed by the Clearing House from time to time.

- (e) In determining whether or not to grant approval to a Clearing Member in respect of the offering of Client Clearing Services, the Clearing House will consider factors including but not limited to the relevant concentration of risks relating to the provision (by the Clearing Member and or any other Clearing Member) of Client Clearing Services to Clients. The Clearing House shall be entitled to require the delivery of information from a Clearing Member about the criteria and arrangements it adopts for the provision of Client Clearing Services to Clients, both at the time of the process for the approval of the offering by the relevant Clearing Member of Client Clearing Services and as deemed necessary by the Clearing House on an ongoing basis.
- (f) Subject to the provisions of these Regulations, Client Clearing Services may be provided by the relevant Clearing Member to its Clearing Clients on whatever terms the Clearing Member decides should apply **provided, however, that:**
- (i) each Clearing Member shall, before providing the relevant Client Clearing Services to any client, ensure that it has entered into a Clearing Agreement with that client which gives the Clearing House enforceable rights against that client in the terms of the Clearing House Prescribed Language;
  - (ii) Contracts entered into by the Clearing Member in respect of Client Clearing Business and Collateral transferred to the Clearing House in respect of Client Clearing Business shall always be separately identified by the Clearing Member to the Clearing House and, subject to the provisions of Rule 8(d) of the Default Rules, shall never be combined with House Clearing Business or Collateral transferred to the Clearing House in respect of House Clearing Business;
  - (iii) in no circumstances will the client money protections provided for by the Client Assets sourcebook of the Handbook published by the Financial Conduct Authority be available in relation to accounts opened with the Clearing House in respect of Client Clearing Business;
  - (iv) each Clearing Member shall, before providing Client Clearing Services to any Clearing Client ensure that the Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
  - (v) each Clearing Member shall, before providing Client Clearing Services to any Individual Segregated Account Clearing Client, Affiliated Omnibus Segregated Clearing Client or Identified Omnibus Segregated Clearing Client, deliver to the Clearing House information regarding the identify of such Clearing Client in accordance with the Clearing House's client identification requirements as published from time to time on the Clearing House's website.

- (g) Client Clearing Services in respect of a Service may, in accordance with the Procedures and subject to paragraph (i) below, be provided by a Clearing Member to its Clearing Clients, and Contracts may be entered into by a Clearing Member with the Clearing House in respect of such Clearing Clients, on:
- (i) an Individual Segregated Account basis; or
  - (ii) an Omnibus Segregated Account basis with segregation, by the opening of:
    - (A) one or more Non-Identified Client Omnibus Net Segregated Accounts;
    - (B) one or more Identified Client Omnibus Net Segregated Accounts; and/or
    - (C) one or more Affiliated Client Omnibus Net Segregated Accounts; and/or
    - (D) one or more Omnibus Gross Segregated Accounts.
- (h) A Clearing Member may operate one or more Individual Segregated Accounts on behalf of an Individual Segregated Account Clearing Client in respect of one or more Service(s).
- (i) A Clearing Member may operate one or more Omnibus Segregated Accounts on behalf of its Clearing Clients in respect of one or more Service(s).
- (j) Client Clearing Services may be provided by a Clearing Member to an Individual Segregated Clearing Client who is, in turn, providing indirect clearing services to its Indirect Clearing Clients. In such circumstances, the following will apply:
- (i) the Clearing Member will open a single Indirect Omnibus Segregated Account in respect of all Indirect Clearing Clients of an Individual Segregated Clearing Client who are receiving indirect clearing services in respect of a particular Service;
  - (ii) the Clearing Member shall, before providing the relevant Client Clearing Services to the relevant Individual Segregated Clearing Client, ensure that such client has entered into an agreement with each of its Indirect Clearing Clients which gives the Clearing House enforceable rights against those Indirect Clearing Clients in the terms of the Clearing House Prescribed Language and any such other provisions as shall be agreed from time to time between the Clearing House and Clearing Members;
  - (iii) the Clearing Member shall, before providing the relevant Client Clearing Services to the relevant Individual Segregated Clearing Client, ensure that each relevant Indirect Clearing Client has been provided with or has been directed to a copy of the Client Clearing End-User Notice; and
  - (iv) the term "**Individual Segregated Account Clearing Client**" shall be construed to mean an Individual Segregated Account Clearing Client providing indirect clearing services in respect of a Service on behalf of its Indirect Clearing Clients; the term "**Individual Segregated Account**" shall be construed to mean such an account comprising a sub-account in the form of an Indirect Omnibus Segregated Account opened by a Clearing Member in respect of such an Individual Segregated Account Clearing Client; and the term "**Individual Segregated Account Balance**" shall be construed accordingly.



- (k) The fees and charges applied by the Clearing House to Clearing Members in respect of the provision, maintenance and administration of Individual Segregated Accounts and each type of Omnibus Segregated Account shall be as set out in the Clearing House's Account Information Documents.
- (l) The Total Required Margin Amount relating to each Client Account of a Clearing Member will be calculated by the Clearing House and the obligation to provide Collateral in respect of such margin obligations will be discharged by:
- (i) if and to the extent that there is Collateral available in the relevant Client Account, deduction by the Clearing House of amounts from such Collateral; and
  - (ii) otherwise, transfer by the Clearing Member to the Clearing House of Collateral with a value which is at least sufficient to discharge the relevant requirement.
- (m) Where a Clearing Member transfers Collateral to the Clearing House for the credit of a Client Account the Clearing House will record the Collateral in the relevant Client Account (as instructed by the Clearing Member or any agent or representative acting on behalf of such Clearing Member) **provided that** the Clearing Member has informed the Clearing House of the Client Account to which such Collateral is to be credited.
- (n) The Clearing House shall be entitled to rely on information received from a Clearing Member or any agent or representative acting on behalf of such Clearing Member in relation to the clearing business undertaken by it (including such information regarding the proper segregation of positions and assets in such Clearing Member's Accounts). No Clearing Member shall transfer to the Clearing House any monies or securities other than amounts provided for the purposes of, or in connection with, the provision of clearing services by the Clearing House.
- (o) Without prejudice to paragraph (n) above, a Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to each Relevant Client Clearing Business of that Clearing Member.
- (p) In addition to and without prejudice to any other provision in the Rulebook, in circumstances where an investment manager or similar third party agent acts on behalf of a client on behalf of whom a Clearing Member is providing Client Clearing Services, the Clearing House shall be entitled to treat instructions received from the investment manager or similar third party as if they were instructions received from the relevant underlying client.
- (q) Where any formalities or registration requirements apply in respect of the Security Deed (and any other document which the Clearing House may from time to time determine), a Clearing Member is required to comply with such obligations or to procure by agreement that such requirements are to be complied with. The Clearing House agrees to exercise its default powers in a manner consistent with the provisions of the Security Deed and related documentation, including by accepting instructions from the relevant Clearing Clients of a Clearing Member following the occurrence of a Default in respect of such Clearing Member.

(r) Any reference in a deed of assignment between a SwapClear Clearing Member and the Clearing House to the "Default Management Process Agreement Amendment Agreement" or to the "SwapClear Default Management Process Agreement" shall be construed as a reference to the Client Clearing Annex.

## CHAPTER IV – CONTRACT FORMATION, REGISTRATION AND TRANSFER

### **Regulation 3** REGULATION 12 **NOVATION**

- (a) ~~This paragraph (a) shall not apply to contracts registered under Regulation 9(f).~~ Upon registration of an original contract by the Clearing House, such contract shall be replaced by novation (without prejudice to the Clearing House's rights to effect further novation under paragraph (b) ~~below~~) below by two open contracts, one between the seller and the Clearing House as buyer, as principals to such contract, and one between the buyer and the Clearing House as seller, as principals to such contract. Each open contract shall be subject to the Regulations including the restrictions on the Clearing House's obligations and liabilities set out in the Regulations (including, without limit, ~~Regulation 22 and Regulation 39~~) Regulation 32 and Regulation 52 and otherwise on the same terms as the original contract replaced by such open contracts.
- (b) Upon the transfer of an open contract (including, for the avoidance of doubt, Relevant Contracts transferred to a Backup Clearing Member pursuant to the Client Clearing Annex) pursuant to these Regulations ~~except pursuant to Regulation 41~~, such open contract shall be discharged and replaced by novation by an open contract between the Member into whose name the contract was transferred and the Clearing House, as principals to such open contract. Such open contract shall be subject to the Regulations and otherwise on the same terms as the open contract which it replaced.
- (c) Upon the exercise of an option by or on behalf of a Member or, as the case may be, by the Clearing House or upon the deemed exercise of such option pursuant to these Regulations, the option contract shall be replaced by novation by an open contract on the terms specified in the option contract at the strike price or at some other price in accordance with the terms of such option contract.

## REGULATION 1 — CLEARING MEMBER STATUS OF THE CLEARING HOUSE

~~(a) Application for clearing member status of the Clearing House shall be made in accordance with the Procedures. A Member's clearing member status of the Clearing House shall be governed by these Regulations, the Procedures and any Clearing Membership Agreement to which he is for the time being party. Clearing member status does not provide or entitle a Member to any shareholding membership of LCH.Clearnet Limited or any shareholding or other membership of any other member of the LCH.Clearnet Group or any entitlement to membership of or participation in LCH.Clearnet SA, which has separate and distinct membership requirements.~~

~~(a) The Clearing House shall determine which categories of Contract a Member is eligible to have registered in its name from time to time. If, in its absolute discretion, the Clearing House determines that a Member no longer meets the relevant eligibility criteria for a particular category, or categories, of Contract the Clearing House may rescind that Member's eligibility to have Contracts of such category or categories registered in its name, but without prejudice to his right to have registered in his name, subject to the Regulations, the categories of Contracts in respect of which the Member does meet the eligibility criteria. The Clearing House may from time to time publish a list of Members identifying the category or categories of Contracts which each Member is eligible to have registered in its name.~~

~~(a) A Member shall be a principal to and not an agent in respect of any Contract registered in his name with the Clearing House. In performing its obligations and exercising its rights under these Regulations, the Clearing House shall take no account of any right or interest which any person other than the Member may have in any Collateral transferred by such Member to the Clearing House.~~

~~Any Regulation or group of Regulations expressly stated not to apply to a Participating Exchange, and paragraph (a) above, shall not apply to a Participating Exchange, being an Exchange which is party to a trading and/or clearing agreement with an Exchange to whom the Clearing House provides clearing services and who has agreed to become a Member. The Clearing House shall enter into one or more agreements with such Participating Exchange which shall govern dealings between them and which may apply, disapply or modify, as the case may require, some or all of these Regulations with respect to such Participating Exchange.~~

## Accounts

~~Accounts (including, where requested, client accounts) shall be opened between each Member and the Clearing House in accordance with the Procedures. A Member shall be responsible for all obligations owed to the Clearing House in respect of every account opened in respect of such Member.~~

~~This paragraph applies to a Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the Member's Proprietary Accounts, and to set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of such accounts.~~

~~This paragraph applies to a Member's client accounts. Unless the Rules of the Clearing House provide otherwise, in the event that more than one client account is opened in respect of a Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of such client accounts of a Member, and to set off any amount or amounts standing to the credit of any one or more of such client accounts of a Member in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of such client accounts.~~

~~Amounts standing to the credit of a Member's accounts, other than, subject to paragraphs (c) above, his client accounts, may be applied by the Clearing House towards the payment of any sum whatsoever due by the Member to the Clearing House whether or not arising under these Regulations, save that, subject to Rule 8(d) of the Default Rules, no amounts standing to the credit of such Member's accounts shall be applied in or towards payment or satisfaction of all or any of the Member's liabilities to the Clearing House on any one or more of the Member's client accounts. Amounts standing to the credit of a Member's account relating to Contributions made under the Default Fund Rules may be applied as provided for in the Default Fund Rules.~~

~~(a) Any rights of set off, combination of accounts or appropriation which the Clearing House may have under these Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.~~

~~Interest calculated on a basis determined from time to time by the Clearing House in accordance with the Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Fund Rules and to Regulation 58(d)) be paid, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any of the Member's accounts.~~

~~(a) Debit balances due to the Clearing House on any account opened in respect of a Member are payable by such Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the Procedures.~~

~~Subject to the provisions of the Default Fund Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective~~

~~in respect of all current and future business on the date notified to Exchanges and to Members in accordance with the Procedures.~~

~~If a Member specifies a Termination Date under Regulation 39A, the Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent; but excluding any claims in respect of the outstanding balance of a Clearing Member's Contribution under Default Fund Rule 23(a)(i)) due as between the Clearing House and the Member, provided, however, that a Termination Amount or other sum payable in respect of an amount recorded in or referable to a kind of account may not be combined or set off against any other amount unless such other amount is recorded in or the same to another kind of account. For the purposes of this Regulation 5(i):~~

~~each client account of the defaulter which is an Individual Segregated Account or an Omnibus Net Segregated Account shall constitute a separate "kind of account";~~

~~all client accounts of the defaulter (other than Individual Segregated Accounts and Omnibus Net Segregated Accounts) shall together constitute a single "kind of account"; and~~

~~the Proprietary Accounts of the defaulter shall together constitute a single "kind of account".~~

~~Where a payment has been made to the Clearing House by a Member through the PPS, that payment will only be credited to the account of the Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) the institution has made the relevant payments to other Members on the date when the payment was due to be received by the Clearing House.~~

~~Regulation 6~~**REGULATION 13** PRESENTATION OF PARTICULARS OF ORIGINAL EXCHANGE CONTRACTS AND CONFIRMATION OF ORIGINAL EXCHANGE CONTRACTS

- ~~(a)~~ (a) ~~None of the paragraphs of this Regulation 6 shall apply to a contract on the terms of an exchange contract which arises pursuant to Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link. Subject to paragraph (h) particulars of every original~~ Particulars of every original exchange contract which is to be registered by the Clearing House in the name of a Member shall be presented to the Clearing House (i) by or on behalf of the Member who made the original exchange contract on the market or otherwise under Exchange Rules, (ii) in the case of a party to the original exchange contract who is not a Member, by or on behalf of the Member who acts as his clearing member or on whose instructions the original exchange contract was made or, (iii) if made on the instructions of a member of the market who is not a Member, by or on behalf of the Member who acts as the latter's clearing member. Presentation of particulars shall be made in such form and manner and by such times as are prescribed by the Procedures or, where the Clearing House has so agreed with an Exchange, as prescribed in Exchange Rules.
- (b) The obligation contained in paragraph ~~(a) above~~ above to present particulars of original exchange contracts shall be in addition to and without prejudice to any obligation on any Member to present particulars of an original exchange contract pursuant to Regulation ~~19(h)~~28(h) or ~~19(i)~~28(i).
- (c) ~~Subject to paragraph (d) below, every original~~ Every original exchange contract presented for registration in the name of a Member in accordance with paragraph ~~(a) above~~ above shall be confirmed by or on behalf of such Member, in such manner and form and by such times as are prescribed by the Procedures or, where the Clearing House has so agreed with an Exchange, as prescribed in Exchange Rules.
- (d) Notwithstanding paragraph ~~(c) above~~, above, an original exchange contract may subject to Exchange Rules and the Procedures be allocated by or on behalf of a Member to another Member or to a member of an Exchange who is not a Member and shall thus be confirmed pursuant to ~~Regulation 7(a)~~Regulation 14(a) instead of paragraph ~~(c) above~~; above.
- (e) If an original exchange contract is not confirmed by or on behalf of a Member pursuant to paragraph ~~(c) above~~; above, or is not allocated by or on behalf of such Member within the prescribed time pursuant to ~~Regulation 7~~,Regulation 14, the Clearing House may in accordance with the Procedures deem such contract as having been confirmed pursuant to paragraph ~~(c) above~~; above.
- (f) Any changes to the prescribed methods, forms and times set out in the Procedures in respect of presentation of particulars of original exchange contracts and confirmation of such contracts shall be made by the Clearing House only after consultation with the relevant Exchange or Exchanges, save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.
- (g) Confirmation of an original exchange contract by or on behalf of a Member pursuant to this ~~Regulation 6~~Regulation 13 or ~~Regulation 7~~Regulation 14 and the Procedures shall be effective immediately (unless otherwise specified in the Procedures) and shall constitute the

consent of the Member to such contract being registered in his name in accordance with these Regulations.

~~An original contract which is to be registered in the name of a Member which is a Participating Exchange, of which details have been provided to the Clearing House by the Exchange with whom the Participating Exchange has entered into an agreement, shall be so registered under Regulation 9. The Clearing House shall treat such contract as having been confirmed by the Participating Exchange under this Regulation 6.~~



~~Regulation 7~~ **REGULATION 14** ALLOCATION OF ORIGINAL EXCHANGE CONTRACTS

- (a) Any Member proposing to allocate an original contract to another Member or to a member of an Exchange who is not a Member shall do so in such manner and form and by such time as may be prescribed by the Procedures. Allocation of an original contract by or on behalf of a Member pursuant to the Procedures shall constitute confirmation of the original contract by such Member.
- (b) Unless it is intended that an original contract be allocated ~~on~~ in accordance with the Procedures to another Member or to a member of an Exchange who is not a Member, any contract allocated to a Member or to a member of an Exchange who is not a Member shall be confirmed or, where the Procedures so prescribe, shall be deemed to have been confirmed to the Clearing House by or on behalf of such Member or, as the case may be, the Member who acts as the clearing member for such member of the Exchange, in such manner and form and by such time as may be prescribed by the Procedures. If such contract is allocated on by or on behalf of such Member to another Member or to a member of an Exchange who is not a Member, such act of allocation shall constitute confirmation of the contract by such Member.
- (c) Where an original contract is allocated to a Member or to a member of an Exchange who is not a Member pursuant to paragraph ~~(a) or (b) above~~ (a) or (b) above and the Clearing House does not receive confirmation of such contract from that Member or the Member acting as clearing member for such member, as the case may be, within the relevant time prescribed by the Procedures, the Clearing House shall, subject to ~~Regulation 9,~~ Regulation 16, register such contract in the name of the Member who sought to allocate the contract.
- (d) Notwithstanding paragraph ~~(e) above,~~ (c) above, a Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any original contract allocated to him in accordance with paragraphs ~~(a) or (b) above~~ (a) or (b) above and such Member shall be deemed to have confirmed such contract in accordance with the Procedures.
- (e) No original contract on the terms of an exchange contract may be allocated under this ~~Regulation 7~~ Regulation 14 to any Member who is not authorised under Exchange Rules to have original contracts on the terms of that exchange contract registered in his name.
- (f) Notwithstanding the provisions of the Procedures, the Clearing House may, without assigning any reason, make any allocation of an original contract subject to any conditions stipulated by it.

**Regulation 8** REGULATION 15 **DESIGNATION**

A Member shall designate the account of the Member in which a ~~e~~CContract shall be registered in the manner and form and by the time prescribed by Exchange Rules or the Procedures. If the Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the Procedures, (and where it satisfied that it has appropriate information to make the relevant determination), determine in which account of the Member the ~~contract shall~~Contract should be entered.

## ~~Regulation 9~~ REGULATION 16 REGISTRATION

~~Paragraphs (b), (d) and (f) only of this Regulation shall apply to a contract on the terms of an exchange contract arising under Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link. The Clearing House shall not register an original exchange contract or an Event Protection Contract.~~ The Clearing House shall not register an original exchange contract in the name of a Member unless such contract has been confirmed or deemed confirmed pursuant to Regulation ~~6, 7 or 18~~ 12, 14 or 27 by or on behalf of a Member as a buyer and a Member as a seller who thereby have consented to such contract being registered in his name. For the avoidance of doubt, the same Member may act in a capacity of seller and buyer in respect of such registration of a contract. The Clearing House shall register a contract in the name of a Member which is a ~~Participating Exchange~~ Co-operating Clearing House in accordance with the terms of any agreement made with the ~~Participating Exchange~~ Co-operating Clearing House and none of the following paragraphs shall apply in respect of a Member which is a ~~Participating Exchange~~.

### (a) Co-operating Clearing House.

(b) Where the Procedures so provide the Clearing House may require the Members in whose names one or more contracts are to be registered to transfer Collateral to the Clearing House in respect of their initial and variation margin obligations as a condition of registration of such contract or contracts, and such Collateral shall be transferred to the Clearing House in accordance with ~~Regulation 12~~ Regulation 20 and, if applicable, the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear Regulations, the ~~LCH EnClear OTC~~ ForexClear Regulations, and the Turquoise Derivatives Regulations, ~~the HKMEx Regulations, the Nodal Regulations, the ForexClear Regulations, or the NLX Regulations.~~

(c) The Clearing House may decline to register ~~an original~~ a contract in the name of a Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral ~~by both Members in whose name any such contract is to be registered.~~

(d) ~~This paragraph does not apply to a Member which is a Participating Exchange.~~ No original exchange contract for a commodity shall be registered in the name of a Member who is not entitled under Exchange Rules to have original exchange contracts for such commodity registered in his name.

(e) The Clearing House shall be deemed to register in the name of a Member an original ~~exchange contract, or RepoClear Transaction~~ at the ~~time prescribed in the Procedures~~ Registration Time in respect of ~~such exchange contract or the relevant type of Contract, provided that,~~ in the case of ~~an original exchange contract~~ a Contract registered by the Clearing House pursuant to ~~Rule 6(a) of the Default Rules,~~ at the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon ~~Regulation 3(a)~~ this Regulation 16 shall take effect.

~~A contract on the terms of an exchange contract arising under Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link shall be~~

~~registered in the name of the Member referred to in Regulation 41A(b) and shall be deemed to be registered in the name of such Member upon the arising of such Contract.~~

- (f) Without prejudice to the Clearing House's rights under paragraph (g) of this Regulation, a Clearing Member shall be bound by a Contract registered in its name pursuant to the presentation of particulars of an Exchange Transaction, an OTC Transaction, an Eligible OTC Trade or an EquityClear Novation Transaction, as the case may be, by him or on his behalf, including: (i) in the case of a RepoClear Transaction or RepoClear GC Transaction, where such particulars are presented by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement; (ii) in the case of a ForexClear Transaction, where such particulars are presented by a ForexClear Dealer with whom it is party to a FDC Agreement; (iii) in the case of an Eligible OTC Trade, where such particulars are presented by an Approved Broker or otherwise on the Clearing Member's behalf; and (iv) in the case of an EquityClear Novation Transaction, where such particulars are submitted by an NCP.
- (g) For the avoidance of doubt, any transaction of which details have been submitted by or on behalf of a Clearing Member for registration as a Contract which is not so registered shall remain in effect between the original parties to that transaction or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules or of their common participation or membership of the relevant Trading System through or on which the transaction was executed or by which it was registered) but subject to the relevant Exchange Rules and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (h) Without prejudice to the Clearing House's rights under Regulation 16(i), an original exchange contract, Eligible OTC Trade or OTC Transaction submitted for registration must, in order that it be registered as the relevant type of Contract, meet the eligibility criteria and other requirements as prescribed on the Clearing House's website for the relevant type of Contract, at the time when the details (as prescribed from time to time by the Clearing House) of the original exchange contract, Eligible OTC Trade or OTC Transaction are presented to the Clearing House and at all times thereafter up to and including the Registration Time. A Clearing Member may not revoke, cancel or transfer an Exchange Transaction, Eligible OTC Trade or OTC Transaction that has been submitted for registration unless permitted (as applicable) by the relevant Exchange Rules and by the relevant Regulations or the relevant Procedures or with the consent of the Clearing House. A Clearing Member shall not allow the submission for registration of a transaction which is not a relevant Exchange Transaction, Eligible OTC Trade or OTC Transaction.
- (i) If at any time after registration of a Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the eligibility criteria for registration as a Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such Contract. Upon the purported Contract being set aside under this Regulation 16, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House (and such transaction shall remain in effect between the original parties thereto or be terminated, as the case may be, in accordance with any terms agreed between them, whether directly or (where applicable) by virtue of the application of the relevant ATP Market Rules or Trading System rules). Any payment made under, or in respect of, a Contract set aside under this paragraph shall be repayable to the person who made the payment and any securities delivered under such Contract shall be re-delivered to the person who made the delivery of such securities. Without prejudice to Regulation 52 and its obligations under this Regulation 16, the Clearing House (and each other member of the LCH.Clearnet Group

and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as the relevant type of Contract.

(j) An Exchange Transaction, EquityClear Novation Transaction, Eligible OTC Trade or OTC Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two Contracts, one between the First Clearing Member as the seller, Reference Currency Seller or party paying a Fixed Price (as the case may be) and the Clearing House as the buyer, Reference Currency Buyer or party paying a Floating Price (as the case may be) as principals to such contract, and the other between the Clearing House as the seller, Reference Currency Seller or party paying a Fixed Price (as the case may be) and the Second Clearing Member as the buyer, Reference Currency Buyer or party paying a Floating Price (as the case may be) as principals to such contract. For the purposes of this Regulation 16:

(i) "First Clearing Member" is a Clearing Member who:

(A) was, before registration of the Contract party to the corresponding Exchange Transaction, Eligible OTC Trade or OTC Transaction as the seller or the party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such Eligible OTC Trade in accordance with the relevant Procedures;

(B) in the case of a Repo Transaction, has a subsisting RepoClear Dealer Clearing Arrangement with a RepoClear Dealer who was party to the corresponding Repo Transaction as the seller;

(C) in the case of a ForexClear Transaction, was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Seller, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Seller; or

(D) was, before registration of the EquityClear Contract identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the seller; and

(ii) "Second Clearing Member" is a Clearing Member (who may be the same as the First Clearing Member) who:

(A) was, before registration of the Contract, party to the corresponding Exchange Transaction, Eligible OTC Trade or OTC Transaction as the buyer or the party paying a Floating Price (as the case may be), or, if appropriate, who has Accepted such Eligible OTC Trade in accordance with the relevant Procedures;

(B) in the case of a Repo Transaction, has a subsisting RepoClear Dealer Clearing Arrangement with a RepoClear Dealer who was party to the corresponding Repo Transaction as the buyer;

- (C) in the case of a ForexClear Transaction, was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Buyer, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Buyer; or
- (D) was, before registration of the EquityClear Contract identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer.
- (iii) In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match, Regulation 69(c) applies.
- (iv) For the purposes of this Regulation 16(j), "Accepted" shall mean that the relevant LCH EnClear OTC Clearing Member has agreed, by such means as may be prescribed from time to time by the Procedures, to become counterparty with the Clearing House to such LCH EnClear OTC Contract.
- (k) With effect from registration of an Exchange Transaction, EquityClear Novation Transaction, Eligible OTC Trade or OTC Transaction as two Contracts under paragraph (i) of this Regulation 16:
- (i) the parties to the corresponding Eligible OTC Trade (to the extent that they are bound by these Regulations), Exchange Transaction, EquityClear Novation Transaction or OTC Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding Eligible OTC Trade are not bound by these Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;
- (ii) each Contract registered under paragraph (j) of this Regulation 16 shall be governed by the relevant Contract Terms applicable to that Contract and the General Regulations and Procedures;
- (iii) subject always to sub-paragraph (ii) above, the First Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the seller, Reference Currency Seller or party paying a Fixed Price (or the person identified as acting as clearing member for that person) had and owed in respect of its counterparty under the corresponding Exchange Transaction, Eligible OTC Trade, EquityClear Novation Transaction or OTC Transaction; and
- (iv) subject always to sub-paragraph (ii) above, the Second Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the buyer, Reference Currency Buyer or party paying a Floating Price (or the person identified as acting as clearing member for that person) had and owed in respect of its counterparty under the corresponding Exchange Transaction, Eligible OTC Trade, EquityClear Novation Transaction or OTC Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding Exchange Transaction or the Economic Terms of the corresponding OTC Transaction, Eligible OTC Trade or EquityClear Novation Transaction (it being assumed, for this purpose, that such Exchange Transaction, EquityClear Novation Transaction, Eligible OTC Trade or OTC Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and, in the case of an EquityClear Novation Transaction, Eligible OTC Trade or an OTC Transaction, that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of the Standard Terms or of the EquityClear Contract Terms, as applicable.

- (l) If an Exchange Transaction, Eligible OTC Trade, EquityClear Novation Transaction or OTC Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any Contract unless otherwise determined by the Clearing House.
- (m) In the case of a Repo Transaction, the Clearing House may, with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such Contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a Contract in error or have agreed to certain terms of the Contract in error.



~~Regulation 10~~ REGULATION 17 **TRADING INFORMATION**

The Clearing House shall make available to a Member in the manner and by the time prescribed by the Procedures, such details of original contracts presented for registration in the name of that Member, open contracts registered in that Member's name, and Collateral transferred to the Clearing House -by that Member as may be prescribed in the Procedures.

## ~~Regulation 14~~ REGULATION 18 TRANSFER

~~A Member may not allocate or transfer a confirmed contract, or an open contract registered in his name except as provided in paragraph (d) below or in Regulation 41 or in Regulation 52C.~~

~~(b)~~(a) If a Member wishes to transfer an open contract from his name to be registered in the name of another Member, the Clearing House may, with the agreement of both Members and subject to such conditions as it may stipulate, at its absolute discretion and, without prejudice to any power of the Clearing House under the Default Rules, and where relevant with the consent of the Exchange whose Exchange Rules form part of the terms of such open contract, transfer the registration of such open contract into the name of the Member agreeing to have such contract registered in his name, whereupon ~~Regulation 3(b)~~Regulation 12(b) (Novation) shall take effect.

~~(e)~~(b) No open contract on the terms of an exchange contract may be transferred pursuant to paragraph ~~(b) above~~(a) above to any Member who is not entitled under Exchange Rules to have open contracts on the terms of that exchange contract registered in his name. ~~No open contract, being a SwapClear Contract, may be transferred pursuant to paragraph (b) above to any Member who is not a SwapClear Clearing Member, and no open contract, being a RepoClear Contract, may be transferred pursuant to paragraph (b) above to any Member who is not a RepoClear Clearing Member. No open EquityClear Contract may be transferred pursuant to paragraph (b) above to any Member who is not an EquityClear Clearing Member. No open LCH EnClear OTC Contract may be transferred pursuant to paragraph (b) above to any Member who is not an LCH EnClear OTC Clearing Member. No open ForexClear Contract may be transferred pursuant to paragraph (b) above to any Member who is not a ForexClear Clearing Member.~~ No open contract may be transferred pursuant to paragraph (a) above to any Member who is not a Member in respect of the relevant Service.

~~(d)~~(c) Rights under an open contract shall not be capable of assignment by a Member. Any such purported assignment by a Member, or any purported transfer that is not in compliance with this Regulation, shall be void.



## REGULATION 19 TRANSACTIONS ENTERED INTO THROUGH AN AUTOMATED TRADING SYSTEM OR PLATFORM

- (a) This Regulation 19 applies in respect of: (i) RepoClear Contracts or RepoClear GC Contracts entered into by the Clearing House under Regulation 63(d); and (ii) EquityClear Contracts entered into by the Clearing House under Regulation 68(e).
- (b) Any Contract to which this Regulation applies which is entered into by the Clearing House with Clearing Members shall be registered in the name of each relevant Clearing Member following receipt of the details required by the Clearing House of such Contracts from the operator of the relevant ATS, the operator of the relevant ATP, or the relevant approved agent (in accordance with the arrangements made between the Clearing House and such ATS, ATP or approved agent from time to time), as applicable.
- (c) If the details required by the Clearing House in respect of a Contract to which this Regulation 19 applies are not provided to the Clearing House by the operator of the relevant ATS, the operator of the relevant ATP or the relevant approved agent, as applicable, in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may decree that neither the Clearing House nor the Clearing Member party thereto shall be obliged to perform their respective obligations under the Contracts in question. If the Clearing House so decrees, such Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected Contract. Any directions given by the Clearing House under this paragraph (c) shall be binding on all affected Clearing Members or Dealers.
- (d) Without prejudice to Regulation 52, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any Contract to which this Regulation 19 applies if the Clearing House does not receive the relevant details referred to in paragraph (c) by the time referred to in such paragraph (c) in respect of such Contract.
- (e) If the Clearing House or, where relevant, its approved agent receives details:
- (i) of a trade from an ATS specified by an ATS Participant by notice given under Regulation 63(b) and which notice has not been withdrawn and the details of the trade purportedly meet the relevant RepoClear Open Offer Eligibility Criteria set out in Regulation 63(c); or
  - (ii) of an EquityClear (Equities) ATP Match or of an EquityClear (ccCFD) ATP Match in respect of an EquityClear Clearing Member from an ATP specified by the EquityClear Clearing Member by notice given under Regulation 68(b) and which has not been withdrawn in respect of that ATP, and the details of the EquityClear (Equities) ATP Match or EquityClear (ccCFD) ATP Match purportedly meet the relevant Eligibility Criteria set out in Regulation 68(c),

the ATS Participant, the RepoClear Clearing Member of the relevant ATS Participant, or the EquityClear Clearing Member (as the case may be) shall be bound by any RepoClear Contract, RepoClear GC Contract, EquityClear (Equities) Contract or EquityClear (ccCFD) Contract registered in his name in respect of such trade or match and the terms of such

registered Contract shall be as set out in Regulation 63(b) or Regulation 68(b), as the case may be.

- (f) Without prejudice to paragraph (e), the Clearing House may with the agreement of the Clearing Members party to corresponding RepoClear Contracts, RepoClear GC Contracts, EquityClear (Equities) Contracts or EquityClear (ccCFD) Contract set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them or their respective ATS Participants in error.

## CHAPTER V – COLLATERAL AND VALUATIONS

### ~~Regulation 12~~ REGULATION 20 MARGIN AND COLLATERAL

- (a) The Clearing House may in accordance with the Procedures require a Member to transfer Collateral to the Clearing House, and to maintain a Clearing Member Current Collateral Balance, -in an amount or of a value determined by the Clearing House, as security for the performance by such Member of its obligations to the Clearing House in respect of all contracts from time to time to be registered in his name as open contracts pursuant to these Regulations. The obligation upon a Member to transfer Collateral -to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the Member to transfer Collateral- to the Clearing House pursuant to these Regulations.
- (b) The Clearing House may in accordance with the Procedures require a Member to transfer Collateral to the Clearing House- in respect of initial or variation margin in circumstances prescribed by the Regulations and the Procedures in respect of any open contract registered in the Member's name, such Collateral to be transferred by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (c) If insufficient Collateral is standing to the credit of a Member's account, or if any assets or monies transferred -by a Member to the Clearing House as Collateral are- determined by the Clearing House in accordance with the Procedures to be insufficient, such Collateral -as the Member is required to transfer to the Clearing House pursuant to paragraph ~~(b)~~ above ~~(b) above~~ or ~~Regulation 9~~ Regulation 16 or the SwapClear Regulations, the RepoClear Regulations, the EquityClear Regulations, the LCH EnClear OTC Regulations, or LCH EnClear OTC Regulations, the Turquoise Derivatives Regulations, ~~the HKMEX Regulations, the Nodal Regulations, the~~ or the ForexClear Regulations ~~or the NLX Regulations~~, as applicable, shall be transferred to the Clearing House- by the Member in such form and manner and by such time or times as may be prescribed by the Procedures.
- (d) ~~(i)~~  
~~(d)~~ (i) The Clearing House shall be entitled to assume that all securities and other assets transferred- by a Member to the Clearing House as Collateral pursuant to these Regulations or under the terms of any agreement made with the Member are the sole legal and beneficial property of the Member or are transferred for the purposes of these Regulations with the legal and beneficial owner's unconditional consent and free of such owner's interest. A Member may not transfer securities or other assets to the Clearing House as Collateral otherwise than in conformity to this paragraph. It shall be accepted by every person dealing on the terms of these Regulations that a Member has such person's unconditional consent to transfer to the Clearing House as Collateral for the purposes of these Regulations any securities or other assets of such person in the Member's possession, free of such person's interest.
- (ii) Each Member represents and warrants to the Clearing House as at each date on which such Member transfers securities or other assets to the Clearing House as Collateral pursuant to these Regulations (a) that such Member is the sole legal and beneficial owner of those securities or other assets or, as the case may be, those securities or other assets are so transferred with the legal and beneficial owner's unconditional consent and free of such owner's interest and (b) that the provision to the Clearing House of such securities or other assets pursuant to these Regulations

will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

(iii) The Clearing House may, in its absolute discretion and at any time require a Member to transfer other securities or assets to the Clearing House in substitution of any securities or assets transferred to the Clearing House pursuant to this ~~Regulation~~ 12.Regulation 20.

(e) The rate of initial margin in respect of each exchange contract shall be determined from time to time by the Clearing House after consultation with the relevant Exchange and such rate shall be published from time to time by the Clearing House. Subject to paragraph ~~(g)~~ below,(g) below. any alteration of the rate so determined shall take effect on the expiry of such period of notice to Members as shall from time to time be agreed with the relevant Exchange. Any such notice shall be given to Members in accordance with the Procedures.

(f) The rate of initial margin in respect of each category of OTC Contract shall be determined from time to time by the Clearing House, and such rate shall be published from time to time by the Clearing House. The rate of initial margin in respect of EquityClear Contracts and LCH EnClear OTC Contracts respectively shall be determined from time to time by the Clearing House and such rate shall be published from time to time by the Clearing House.

(g) Notwithstanding paragraph ~~(e)~~(e) or paragraph (f) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to a Member or, where applicable, to an Exchange, to modify the rate of initial margin applicable to an exchange contract, to an OTC Contract or to EquityClear Contracts or to LCH EnClear OTC Contracts, or to demand larger or additional amounts of Collateral in respect of the initial margin obligations of a Member, either before registration of a contract or at any time after registration. Any ~~collateral demand~~Collateral demanded by the Clearing House pursuant to this paragraph shall be transferred by the Member to the Clearing House on demand and in such form as the Clearing House may require.

(h) The Clearing House shall be entitled at any time to demand from a Member the immediate transfer of Collateral in respect of that Member's margin obligations in an amount deemed necessary by the Clearing House without reference to official quotations or Reference Prices in respect of any open contract in the Member's name, if, in the opinion of the Clearing House, the transfer to the Clearing House ~~of such Collateral by the Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the m~~Member is party.

~~A Member shall transfer to the Clearing House in the manner and form and by the time or times prescribed in the Procedures Collateral in respect of the premium in respect of option contracts or Collateral in respect of the initial payment amount or fixed payment amounts in respect of LIFFE Credit Default Swap Index Contracts on the terms of such contracts as specified in the Procedures.~~

(i) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and ~~specified in~~published on the ~~Procedures~~Clearing House's website, in respect of any non-cash Collateral (other than Clearing Member Returned Collateral or Clearing Member Applied Collateral) transferred to the Clearing House. Any

alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time ~~specified in the Procedures~~ as published on the Clearing House's website.

- (j) Without prejudice to the requirements of paragraph ~~(e)~~(e) or (f) above, the Clearing House may at its absolute discretion accept Collateral to an agreed amount in a form other than those specified in the Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures and to any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (k) If, in the opinion of the Clearing House, any asset which has been transferred to it by a Member as Collateral pursuant to these Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further Collateral from such Member. Such Collateral shall be transferred by such Member to the Clearing House on demand in a form prescribed by the Procedures, **provided that** at any time the Clearing House shall be entitled to require the Member to transfer Collateral to the Clearing House in a specified form and to demand that the Member replace the whole or part of any asset transferred to the Clearing House by that Member pursuant to these Regulations with Collateral in the form of cash.
- (l) Any request by a Clearing Member (including, for the avoidance of doubt, a Resigning Member or a Retiring Member) for the release or return of excess Collateral shall be dealt with in accordance with the Procedures.
- (m) If the Clearing House takes any step or steps under the Default Rules in relation to a Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Member) standing to the credit of any of the Member's accounts shall be treated as Collateral.
- (n) Unless the Clearing House otherwise agrees in ~~writing~~writing or as expressly contemplated by the Rulebook, no Member may assign or otherwise transfer its right to the return of any ~~cash~~ Collateral or Contributions transferred to the Clearing House in the form of cash. Any such purported assignment or transfer by a Member (whether by way of security or otherwise) shall be void. A Member shall not otherwise encumber (or seek to encumber) its right to the return of any cash Collateral or Contributions transferred ~~to~~ the Clearing House.
- (o) Where the Clearing House is party to a Link Agreement with a ~~Participating Exchange Co-operating Clearing House~~:
- (i) the Clearing House may request collateral from ~~Collateral~~ that ~~Participating Exchange Co-operating Clearing House~~ in whatever form may be stipulated in the terms of that Link Agreement; and
- (ii) if collateral is transferred to the Clearing House by such ~~Participating Exchange Co-operating Clearing House~~ pursuant to such Link Agreement, that collateral shall be deemed to be Collateral for the purposes of these Regulations and the Default Rules.



(p) Any references in the Rulebook to (i) Collateral deposited or held by or with the Clearing House or a Clearing Member or in an account maintained by the Clearing House or a Clearing Member; (ii) balances of Collateral with the Clearing House or a Clearing Member or in an account maintained by the Clearing House or a Clearing Member; and (iii) Collateral credited to an account maintained by the Clearing House or a Clearing Member (and any phrases describing similar concepts), shall be construed as including all Collateral transferred to the Clearing House by that Clearing Member or to that Clearing Member by the Clearing House (as applicable) and any Applied Collateral Excess Proceeds credited to that Clearing Member's account by the Clearing House, but as excluding any relevant Clearing Member Returned Collateral, Clearing Member Applied Collateral, Clearing House Returned Collateral and/or Clearing House Applied Collateral (as applicable).

(q) Expressions in the Rulebook such as “furnish”, “provide”, “deposit” and “post” (and similar expressions) are used to describe the act of transferring Collateral to or, as the case may be, from, the Clearing House and, when used in conjunction with such expressions, expressions in the Rulebook such as “margin”, “cover for margin” and “collateral” (and similar expressions) are used to describe the collateral which is transferred to or, as the case may be, from, the Clearing House. Where the context so permits, references to Collateral being held, ~~or being transferred by a Clearing Member to the Clearing House to be held,~~ in an account means that the Collateral is recorded in the books and records of the Clearing House as being attributable to a particular Clearing Member or Clearing Client. Where the Rulebook so provides, references to Collateral being "transferred" from the Clearing House to the Clearing Member may include the Clearing House recording in its books and records such Collateral as being attributable to the Clearing Member and held in an account of that Clearing Member with the Clearing House ~~or, where the Clearing House no longer enjoys the benefit of Collateral in a form other than cash or securities, making appropriate book entries to reflect the fact that the relevant Collateral no longer forms part of the relevant Clearing Member Collateral Balance.~~

(r) The Rulebook shall be construed such that:

(i) save as stated in sub-paragraph (ii), all transfers of Collateral to or, as the case may be, from, the Clearing House are effected on an outright title-transfer basis (with there being no intention to create any form of *in rem* security interest in such collateral, and despite any references to such collateral being held by the Clearing House or a Clearing Member or in an account maintained by the Clearing House or a Clearing Member or to such collateral being credited to an account maintained by the Clearing House or a Clearing Member (or to similar concepts));

(ii) wherever non-cash Collateral is transferred to the Clearing House, it is held by the Clearing House as custodian for the Clearing Member which transferred it, on and subject to the terms of the Deed of Charge between the Clearing House and that Clearing Member;

(iii) wherever the Clearing House is required to return cash Collateral or Applied Collateral Excess Proceeds to a Clearing Member or a Clearing Member is required to return cash Collateral to the Clearing House, that requirement is to pay an amount of cash equal to the amount expressed to be so required to be returned; and

(iv) wherever the Clearing House is required to return non-cash Collateral to a Clearing Member, that requirement is to return (unless otherwise provided in the Procedures)

the same non-cash Collateral (or equivalent non-cash Collateral) as was transferred to the Clearing House by that Clearing Member and to release the same from the security created by the relevant Deed of Charge.

(s) In determining the amount of Collateral which the Clearing House requires to be transferred to or from the Clearing House pursuant to the Rulebook, the Clearing House shall take into account the amount of any Collateral which has previously been determined as being required to be transferred to or from the Clearing House but which, at the time of that determination, has not been so transferred.

(t) Upon the Clearing House being satisfied (acting in good faith) that all obligations of a Clearing Member pursuant to the Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:

(i) the Clearing House shall (A) in the case of cash Collateral transferred to the Clearing House for the purpose of collateralising that Clearing ~~Member's~~ Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), pay an amount of cash to that Clearing Member equal to such cash; and (B) in the case of non-cash Collateral transferred to the Clearing House for the purpose of collateralising that Clearing ~~Member's~~ Member's obligations (other than any constituting Clearing Member Returned Collateral or Clearing Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to that Clearing Member; and

(ii) the Clearing Member shall, in the case of cash Collateral transferred to the Clearing Member for the purpose of collateralising the Clearing House's obligations (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer an amount of cash to the Clearing House equal to such cash.

(u) Wherever the Rulebook contemplates an obligation of a Clearing Member being discharged by the Clearing House using, or otherwise applying, cash Collateral transferred to the Clearing House for the purpose of collateralising that Clearing ~~Member's~~ Member's obligations to the Clearing House (including any Applied Collateral Excess Proceeds), the manner in which such discharge shall occur is by the acceleration of the Clearing ~~House's~~ House's obligation to return that cash Collateral or Applied Collateral Excess Proceeds to that Clearing Member (but only in an amount which does not exceed the obligation of that Clearing Member which is to be so discharged) and the set-off of that transfer obligation against that Clearing ~~Member's~~ Member's obligation which is to be so discharged.

(v) Wherever the Rulebook contemplates an obligation of the Clearing House being discharged by a Clearing Member using, or otherwise applying, cash Collateral transferred to that Clearing Member for the purpose of collateralising the Clearing House's obligations to that Clearing Member, the manner in which such discharge shall occur is by the acceleration of that Clearing Member's obligation to return that cash Collateral to the Clearing House (but only in an amount which does not exceed ~~the obligation~~ the obligation of the Clearing House which is to be so discharged) and the set-off of that transfer obligation against the Clearing House's obligation which is to be so discharged.



~~Regulation 13~~ **REGULATION 21** PREMIUM UNDER OPTION CONTRACTS ~~—AND PAYMENTS UNDER LIFFE CREDIT DEFAULT SWAP INDEX CONTRACTS~~

(a) The premium payable by a buyer under the terms of an option contract shall be paid by the buyer to the Clearing House in the form and manner prescribed in the Procedures and by the time specified in Exchange Rules or the Procedures with respect to the relevant exchange contract.

(b) The Clearing House shall pay to a seller under the terms of an option contract his premium in accordance with the Procedures and by the time specified in Exchange Rules or the Procedures with respect to the relevant exchange contract.

~~Any payment payable by a Member to the Clearing House or by the Clearing House to a Member under the terms of a LIFFE Credit Default Swap Index Contract, being either:~~

~~the initial payment amount payable by a seller; or~~

~~the fixed payment amounts payable by a buyer;~~

~~shall be paid by the Member to the Clearing House or by the Clearing House to the Member (as applicable) in the form and manner prescribed in the Procedures and by the time specified in LIFFE Rules or the Procedures.~~

**Regulation 14** REGULATION 22 **OFFICIAL QUOTATIONS AND REFERENCE PRICE**

- (a) The Clearing House may determine official quotations and Reference Prices for the purposes of these Regulations and the Procedures in such manner and at such times as may be prescribed in the Procedures. Except as prescribed in the Procedures, an official quotation or Reference Price is binding on a Clearing Member and may in no circumstances be called in question.
- (b) If the official quotations and/or Reference Prices prescribed in the Procedures are unavailable, the Clearing House may determine, in its sole discretion, a substitute official quotation or Reference Price. In such circumstances, the substitute official quotation or Reference Price determined by the Clearing House is binding on a Clearing Member and may in no circumstances be called in question.
- ~~(b)~~(c) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any settlement price determined by a third party or any index which is the subject of an exchange contract or any Reference Price.

## ~~Regulation 15~~ REGULATION 23 DAILY SETTLEMENT OR MARKING TO MARKET

- (a) Where Exchange Rules or the Procedures so prescribe in respect of exchange contracts, the Clearing House may effect the daily settlement to market or daily marking to market of all open contracts (in each case, as opposed to requiring the collateralisation of such open contracts) on the terms of such exchange contracts in accordance with the Procedures and Exchange Rules, save where the Procedures otherwise provide. Daily settlement to market shall not apply to ~~such~~ open contracts which are for the account of a ~~Member's client accounts.~~ Member's Client Accounts.
- (b) The Clearing House shall, in accordance with the Procedures, in respect of each open contract in a Member's name which is subject to daily settlement to market or daily marking to market, (as opposed to a collateralisation requirement), effect and register a settlement contract, being a contract on the same terms (except as to price or premium), including the strike price where applicable, as the open contract, save that where the Member is a buyer under the terms of the open contract the Member shall be a seller under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures (or Exchange Rules if applicable) at the relevant official quotation or Reference Price for that day. The Clearing House shall thereupon settle each open contract against the respective settlement contract in accordance with the Procedures.
- (c) The Clearing House shall, upon completion of the ~~procedures~~ process set out in paragraph ~~(b) above,~~ (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter ~~make up~~ debit or credit (as the case may be) the Member's account and upon the Clearing House so doing, the Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:
- (i) any profit arising to a Member shall: (A) be credited to the applicable account; (B) to the extent that that account is a collateral account, become part of the Clearing Member Current Collateral Balance; and (C) ~~subject to the Clearing House's right to retain such profit pursuant to these Regulations and in respect of a Cross Margining Participant to the terms of any relevant Cross Margining Agreement, such profit shall,~~ be paid to the Member on the Member's request; and
- (ii) any loss arising to a Member shall be debited from the applicable account of the Member to the extent that there is an available balance in such account and, in accordance with ~~these Regulations,~~ the Member shall pay the amount of any shortfall in respect of such loss to the Clearing House forthwith on demand.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph ~~(e) above,~~ (c) above, in the manner prescribed by the Procedures:
- (i) in respect of those open contracts in a Member's name which have been settled pursuant to paragraph ~~(b) above,~~ (b) above and which are subject to daily settlement to market, register at the official quotation or Reference Price referred to in paragraph ~~(b) above,~~ (b) above, contracts in the Member's name as open contracts on the same terms (except as to price or premium), including the strike price where applicable, as the settled open contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and strike price, where applicable, shall be registered in the Member's name;

(ii) in respect of those open contracts in a Member's name which have been settled pursuant to paragraph ~~(b) above~~ (b) above and which are subject to daily marking to market as prescribed by the Procedures, register at the official quotation referred to in paragraph ~~(b) above~~ (b) above contracts in the Member's name as open contracts on the same terms (except as to price or premium) including the strike price, where applicable, as the settled open contracts.

(e) A Member may, in respect of all open contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) ~~make up~~ debit or credit (as the case may be) the Member's account.

(f) In respect of those open contracts of which settlement might have been requested by a Member under paragraph ~~(e) above~~, (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those contracts, at any time thereafter proceed as if settlement had been requested and ~~make up and render~~ debit or credit (as the case may be) the Member's accounts accordingly.

**~~Regulation 15A~~ REGULATION 24 SETTLEMENT AND REVALUATION: CLEARING PROCESSING SYSTEM**

- (a) Where Exchange Rules or the Procedures so prescribe in respect of exchange contracts, the Clearing House may effect the settlement or revaluation of open contracts on the terms of such exchange contracts in accordance with a clearing processing system adopted by the Exchange.
- (b) The settlement of open contracts under this Regulation may be effected daily or less frequently, as required by the clearing processing system. The clearing processing system may expressly or by implication require the contract value of open contracts to be altered daily or less frequently by reference to official quotations or otherwise and, if so, open contracts subject to the system shall be revalued accordingly. The Clearing House shall have no obligation to notify a Member of the revaluation of an open contract to which ~~he~~it is party, save as provided by the clearing processing system.



**~~Regulation 16~~ REGULATION 25 OTHER MODES OF SETTLEMENT AND REVALUATION**

Settlement, revaluation and collateralisation procedures (other than those contained in ~~Regulations 15 and 15A~~ Regulation 23 and Regulation 24) may be prescribed, in respect of open contracts on the terms of certain exchange contracts and in respect of open contracts which are OTC Contracts, EquityClear Contracts or LCH EnClear OTC Contracts in the Procedures or where agreed with, an Exchange, in Exchange Rules. The relevant settlement, revaluation and collateralisation procedures (as applicable) may be effected by the Clearing House in accordance with such provisions.

**CHAPTER VI – OPTIONS, OPEN CONTRACTS SUBJECT TO TENDER AND DELIVERY CONTRACTS**

**~~Regulation 17~~ REGULATION 26 EXERCISE OF OPTIONS**

- (a) An option may, subject to paragraph ~~(d) below~~, (d) below, be exercised, or deemed to be exercised, or abandoned in accordance with paragraph ~~(b)(b)~~ or ~~(e) below~~ (c) below on the day and by the time prescribed by Exchange Rules, or if there is no such prescribed day or time, by the day and time specified in the Procedures. If any prescribed day is not a business day, an option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, or if no such day is so prescribed, on the next business day.
- (b) Subject to Exchange Rules an option may be exercised by notice in writing or in such other form as may be prescribed by Exchange Rules or the Procedures and in the manner prescribed by the Procedures, and if not so exercised by the day and time referred to in paragraph ~~(a) above~~, (a) above, the option shall either expire or, if Exchange Rules so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the Procedures.
- (c) Subject to Exchange Rules, an option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or the Procedures and in the manner prescribed by the Procedures and if not so abandoned by the day and time referred to in paragraph ~~(a) above~~, (a) above, the option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the Procedures.
- (d) If permitted under Exchange Rules or, where relevant, the Procedures, an option may be exercised or abandoned by or on behalf of a Member prior to the day and time referred to in paragraph ~~(a) above~~ (a) above in accordance with Exchange Rules or, where relevant, the Procedures.
- (e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs ~~(b), (e) or (d) above~~ (b), (c) or (d) above without making any enquiry, investigation or check as to whether it complies with the Exchange Rules -or as to the authority of any person purporting to exercise or abandon an option on behalf of a Member save that the Clearing House may reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if it does not appear to comply with Exchange Rules or the Procedures notwithstanding that it may as buyer have passed on such notice or other prescribed form of exercise or abandonment to a seller.
- (f) Subject to paragraph ~~(e) above~~, (e) above, no notice (or other form) of exercise or abandonment once received by the Clearing House may be cancelled or withdrawn.
- (g) Where the Clearing House is a buyer under the terms of an option contract, the Clearing House may exercise or abandon an option in accordance with Exchange Rules or the Procedures and in accordance with ~~Regulation 2~~, Regulation 3.
- (h) Upon the exercise or deemed exercise of an option pursuant to this ~~Regulation 17~~, ~~Regulation 3(e)~~ Regulation 12(c) and Regulation 26 shall come into effect.



~~Regulation 18~~ **REGULATION 27 DELIVERY CONTRACT ARISING UPON THE EXERCISE OF AN OPTION** ~~AND EVENT PROTECTION CONTRACTS~~

- (a) Subject to these Regulations open contracts which are delivery contracts shall be fulfilled in accordance with Exchange Rules. No delivery contract shall be for a unit or quantity smaller than one lot and the amount or quantity to be delivered shall be one lot or such other amount or quantity as may be specified for the commodity in Exchange Rules from time to time after agreement with the Clearing House.
- (b) Where an open contract which is a delivery contract arises by novation pursuant to ~~Regulation 3(e)~~ Regulation 12(c) upon the exercise or deemed exercise of an option, the buyer under the terms of the delivery contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the Procedures by the time and in the manner specified in Exchange Rules or the Procedures. The Clearing House as buyer under the terms of a delivery contract shall, in accordance with ~~Regulation 2, Regulation 3,~~ give to the seller under the terms of such contract, such information as may be prescribed by Exchange Rules or the Procedures.
- (c) The seller under the terms of a delivery contract shall deliver the commodity to the Clearing House as buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the Procedures, and the Clearing House as seller under the terms of a delivery contract shall, in accordance with ~~Regulation 2, Regulation 3,~~ deliver the commodity the subject of such contract to a Member as buyer under the terms of such contract.
- (d) The buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the Procedures in the form and manner and by the time prescribed in Exchange Rules or the Procedures, and the Clearing House shall, in accordance with ~~Regulation 2, Regulation 3,~~ pay the seller his price and such other amounts as may be required by Exchange Rules or, where relevant, the Procedures.
- (e) Notwithstanding paragraphs ~~(e)(c)~~ and ~~(d) above, (d) above,~~ the Clearing House may in its absolute discretion in accordance with the Procedures:
- (i) direct a Member who is a seller under a delivery contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under a delivery contract, as the Clearing House may appoint; and
- (ii) direct a Member who is a buyer under a delivery contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under a delivery contract, as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity, or as the case may be, payment of the price, from a Member directed in accordance with ~~(i) or (ii) above, (i) or (ii) above,~~ in satisfaction of the obligations owed to it by the Clearing House to deliver the commodity or make payment of the price and such other amounts under the terms of a delivery contract.

(f) If an invoice is not ready when payment becomes due pursuant to this Regulation, payment shall be made and received on account.

~~In relation to a LIFFE Credit Default Swap Index Contract between a Member and the Clearing House, in the circumstances prescribed under the LIFFE Rules an Event Protection Contract shall automatically arise between the Clearing House and that Member where the seller under the LIFFE Credit Default Swap Index Contract shall be the seller under the Event Protection Contract and the buyer under the LIFFE Credit Default Swap Index Contract Terms shall be the buyer under the Event Protection Contract. The Clearing House shall immediately register such Event Protection Contract in the name of the Member. The Member shall, by its confirmation of an original contract on the LIFFE Credit Default Swap Index Contract Terms, be deemed to have consented to the subsequent registration in its name of any Event Protection Contracts arising in connection with such LIFFE Credit Default Swap Index Contract in accordance with these Regulations.~~

~~Subject to these Regulations, open contracts which are Event Protection Contracts shall be fulfilled in accordance with LIFFE Rules. Each Event Protection Contract shall be subject to the Regulations including the restrictions on the Clearing House's obligations and liabilities set out in the Regulations (including, without limitation, Regulation 39) and otherwise on the terms prescribed by LIFFE Rules and the Procedures.~~

**~~Regulation 19~~REGULATION 28 OBLIGATION TO MAKE AND ACCEPT TENDER UNDER CLEARED EXCHANGE CONTRACTS**

- (a) Subject to these Regulations open contracts which are Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts shall be fulfilled in accordance with Exchange Rules or the Procedures. No Cleared Exchange Contract shall be for a unit or quantity smaller than one lot and the amount or quantity tendered shall be for one lot or such other amount or quantity as may be specified for the commodity in Exchange Rules from time to time after agreement with the Clearing House. Where the terms of a Cleared Exchange Contract or Turquoise Derivatives Cleared Exchange Contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such contract and in such case each such Member shall be bound by and shall comply with any such direction.
- (b) Paragraphs ~~(e)(c)~~ to ~~(f) below~~(l) below and ~~Regulations 20~~Regulation 30 and ~~24~~Regulation 31 shall not apply to Cleared Exchange Contracts and Turquoise Derivatives Cleared Exchange Contracts which are contracts for differences or such option contracts as the Procedures may prescribe. Members shall fulfil their obligations to the Clearing House under the terms of such contracts in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of such contracts in accordance with ~~Regulation 2.~~ ~~Regulation 19A~~Regulation 3. Regulation 29 shall apply and paragraphs ~~(e)(c)~~ to ~~(f) below~~(l) below shall not apply to delivery contracts.
- (c) A Member, as seller in respect of a Cleared Exchange Contract in his name which is not to be settled pursuant to ~~Regulation 15 or 16~~Regulation 23 or Regulation 25 and the Procedures, shall give a tender to the Clearing House as buyer, together with such other documents as may be required by Exchange Rules or the Procedures by the time specified in Exchange Rules or the Procedures in respect of a Cleared Exchange Contract for a particular delivery month or prompt date, and in the form and manner prescribed by Exchange Rules or the Procedures. The Clearing House, as seller in respect of a Cleared Exchange Contract which is not to be settled pursuant to ~~Regulation 15~~Regulation 23 or ~~16~~Regulation 25 and the Procedures, shall in accordance with ~~Regulation 2~~Regulation 3 give a tender to the buyer under the terms of such contract, together with such other documents as may be required by Exchange Rules or the Procedures.
- (d) A seller or buyer shall give to the Clearing House such additional documents or information required by Exchange Rules to be given in respect of an open contract subject to tender by the time prescribed by Exchange Rules and in the form and manner specified therein or in the Procedures. The Clearing House as seller (or buyer) under the terms of an open contract subject to tender shall in accordance with ~~Regulation 2~~Regulation 3 give such additional documents or information to the buyer (or seller) under the terms of such contract.
- (e) The Clearing House shall be under no obligation to check a tender or documents received from a Member pursuant to paragraph ~~(e) or (d) above.~~(c) or (d) above. The passing on by the Clearing House of such tender or such documents received from a seller (or buyer as the case may be) pursuant to the terms of an open contract subject to tender, to a buyer (or seller as the case may be) pursuant to the terms of an open contract subject to tender, shall not constitute acceptance by the Clearing House of such tender or such documents, and if the Member to whom it passed on such tender or such documents rejects the same where

permitted by Exchange Rules, the Clearing House shall be entitled to reject the same as against the Member from whom it received such tender or such documents.

- (f) Every buyer (not being the Clearing House) who has a Cleared Exchange Contract in his name for the current delivery period or prompt date shall be bound to accept in fulfilment of the Clearing House's obligations as seller under paragraph ~~(e)~~(c) any tender or documents complying with Exchange Rules which is given to him by the Clearing House in accordance with ~~Regulation 2~~Regulation 3.
- (g) Subject to paragraph ~~(e)~~(e), no tender may be withdrawn or substituted by the seller once such tender is received by the buyer except with the consent of such buyer or otherwise in accordance with Exchange Rules.
- (h) Where permitted by Exchange Rules, a tender together with such other documents as may be required by Exchange Rules or the Procedures may be given to the Clearing House by or on behalf of a seller in respect of an original exchange contract to which the seller is party, such tender to be given to the Clearing House together with such particulars of the contract as may be required by the Clearing House, including if required the name of the buyer in respect of such contract, by the time specified in Exchange Rules or the Procedures. Registration of such contract in the name of the seller shall be effected as prescribed by the Procedures.
- (i) The Clearing House may give a tender, together with such other documents as may be required by Exchanges Rules or the Procedures, to a buyer in respect of an original exchange contract to which the buyer is party. Such particulars of the contract as the Clearing House may require shall be furnished by or on behalf of the buyer to the Clearing House in accordance with Exchange Rules or the Procedures. Registration of such contract in the name of the buyer shall be effected as prescribed by the Procedures.
- (j) The Clearing House may give a tender and documents received from a seller pursuant to paragraph ~~(h) above~~(h) above to a buyer in respect of an original exchange contract to which the buyer is party, and shall do so as agent for the seller. The furnishing of particulars and the registration of such contract in the name of a buyer shall be effected as provided in paragraph ~~(i) above~~(i) above. Upon registration of an original exchange contract pursuant to paragraph ~~(h)~~(h), the giving of the tender and documents by the Clearing House to the buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraph ~~(e) and (f) above~~(c) and (f) above.
- (k) In implementing this Regulation, the Clearing House may effect and register such contracts in a Member's name as may be prescribed in the Procedures at a price determined by the Clearing House in accordance with the Procedures.
- (l) If Exchange Rules require a buyer to give a tender and a seller to receive a tender in respect of a Cleared Exchange Contract, a reference in this Regulation and in ~~Regulation 20~~Regulation 30 to a seller giving a tender shall be construed as being a reference to a buyer giving a tender and a reference to a buyer receiving a tender shall be construed as being a reference to a seller receiving a tender.

~~Regulation 19B~~ **REGULATION 29 DELIVERY CONTRACTS**

- (a) The obligations of Members under delivery contracts shall be performed in accordance with the terms of such delivery contracts and in the manner and by the time prescribed by Exchange Rules, these Regulations and the Procedures. The Clearing House shall fulfil its obligations as seller or buyer, as the case may be, under the terms of a delivery contract in accordance with ~~Regulation 2~~ Regulation 3 and the Procedures.
- (b) Where the terms of an open contract so permit, the Clearing House may give directions to one or more Members concerning the performance of such open contract and in such case each such Members shall be bound by and shall comply with any such direction.



## ~~Regulation 20~~ REGULATION 30 OPEN CONTRACTS SUBJECT TO TENDER

(a) Without prejudice to the provisions of ~~Regulation 21(a)~~, Regulation 31(a), under an open contract subject to tender or a delivery contract:

(i) the buyer shall be obliged to pay his buying price to the Clearing House as seller in the manner and by the time prescribed by Exchange Rules or the Procedures;

(ii) the Clearing House as buyer shall be obliged to pay the seller his selling price in the manner and by the time prescribed by ~~Regulation 2~~; Regulation 3;

(iii) subject to Exchange Rules any compensation, adjusting payment, or other allowance payable by or to either the buyer or seller under the terms of the open contract shall be paid to or by the Clearing House;

~~Every tender and accompanying documents (except documents which, in accordance with Exchange Rules a buyer is obliged to take up and pay for) given by the Clearing House as seller to a buyer pursuant to Regulation 19(e) shall for the purposes of these Regulations be deemed to comply with Exchange Rules unless the buyer notifies the Clearing House, by 10.00 hours on the business day following the day on which the tender and accompanying documents were given to him by the Clearing House in accordance with Exchange Rules or the Procedures, that the tender and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10.00 hours on such business day, to notify the seller to it under the terms of an open contract from whom it received such tender and accompanying documents that such tender and accompanying documents do not so comply.~~

~~(e)(b)~~ Notwithstanding that open contracts may have been settled under ~~Regulation 15, or (in the case of HKMEX Contracts) Regulation 91 or (in the case of Nodal Contracts) Regulation 95 or (in the case of NLX Contracts) Regulation 113,~~ Regulation 23 a seller may, with the agreement of the Clearing House and by the time specified in the Procedures, give the Clearing House a tender in respect of any such contract so settled. Upon receipt of such tender, the Clearing House shall (unless the Procedures otherwise allow) effect on the Member's behalf re-opening contracts (that is a sale by the Member to the Clearing House and a purchase by the Member from the Clearing House of one lot, each on the same terms (including delivery) as the settled contract except as to price) and register such contracts as open contracts in the Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the Procedures. The submission of a tender in accordance with the Procedures shall constitute confirmation of any such re-opening contracts and the seller's tender (or buyer's as the case may be) shall be deemed to have been made pursuant to his sale (or purchase) under the respective re-opening contract.

~~(e)(c)~~ Notwithstanding that an open contract may have been settled under ~~Regulation 15, or (in the case of HKMEX Contracts) Regulation 91, or (in the case of Nodal Contracts) Regulation 95, or (in the case of NLX Contracts) Regulation 113,~~ Regulation 23, the Clearing House may in accordance with the Procedures give a tender to a buyer under ~~Regulation 19~~ Regulation 28 as if the contract were still open and on so doing the Clearing House shall effect on the Member's behalf re-opening contracts (defined as in paragraph ~~(e) above~~ (b) above) and to be effected as there described) and register such contracts as open

contracts in the Member's name. The receipt by the Buyer of such tender shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the Member's purchase under the respective re-opening contract.

~~(e)~~(d) In implementing this Regulation, the Clearing House may effect and register such contracts in a Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the Procedures and at a price determined by the Clearing House in accordance with the Procedures.

**Regulation 24** **REGULATION 31** **ARRANGEMENTS FOR DELIVERY AND PAYMENT OF PRICE**

(a) In respect of its obligations under the terms of any open contract as seller to deliver a commodity to the buyer or as buyer to pay the price and any other payments required to be made under the terms of such contract to the seller, the Clearing House may in its absolute discretion in accordance with the Procedures:

(i) direct a Member who is a seller under an open contract to deliver the commodity the subject matter of such contract to such other Member, being a buyer under an open contract as the Clearing House may appoint; and

(ii) direct a Member who is a buyer under an open contract to pay the price and any other amounts payable pursuant to such contract to such other Member, being a seller under an open contract as the Clearing House may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such buyer or seller as the case may be towards the Clearing House. Each Member agrees that it will accept delivery of a commodity or, as the case may be, payment of the price, and such other amounts from another Member in accordance with such direction in satisfaction of the obligations owed to it by the Clearing House to make payment of the price or such other amounts or to deliver the commodity under the terms of an open contract.

(b) If an invoice is not ready when payment becomes due, payment shall be made and received on account.

(c) A Member may from time to time agree in writing with the Clearing House in respect of such exchange contracts as are prescribed in the Procedures that he shall pay to and receive from the Clearing House in accordance with the Procedures a net amount in respect of his obligations to make or take delivery (as the case may be) of a commodity where such commodity is a currency and to make or receive payment (as the case may be) of the buying or selling price.

(d) If a buyer where permitted by Exchange Rules, rejects the commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the commodity under the terms of an open contract subject to tender, the Clearing House shall be entitled to reject the same as against the seller from whom it took delivery of the same under the terms of an open contract subject to tender, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a seller which it delivers on to a buyer until such buyer has accepted the commodity.

**Regulation 22** REGULATION 32 RESTRICTIONS ON CLEARING HOUSE'S OBLIGATIONS AND LIABILITY

(a) This Regulation shall apply to open contracts subject to tender and delivery contracts and shall not apply to contracts for differences or option contracts.

(b) The Clearing House (or any other member of the LCH.Clearnet Group) shall not be liable in respect of a claim made against it in respect of an open contract subject to tender or a delivery contract by a Member concerning:

(i) a tender given by the Clearing House; or

(ii) any documents accompanying a tender as required by Exchange Rules or Procedures; or

(iii) the performance by the Clearing House of its obligations under an open contract to make delivery of a commodity or to pay the price; or

(iv) any other dispute or matter arising under the terms of such contract;

unless the conditions set out in paragraphs ~~(e), (d) and (e) below~~ (c), (d) and (e) below are satisfied.

(c) The Member shall (without prejudice to his taking any other steps which may be required of or open to him under the relevant Exchange Rules or the Procedures) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (such time to be of the essence) on the seventh business day following the day on which, in accordance with the relevant Exchange Rules or the Procedures, documents must be taken up and paid for by the buyer (whether or not a buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (such time to be of the essence) on the seventh business day following the last day on which the buyer, in accordance with the relevant Exchange Rules or the Procedures, must take delivery of the commodity (whether or not the buyer fulfils such obligation).

(d) Where the relevant Exchange Rules provide for arbitration, the Member shall refer all disputes referred to in paragraph ~~(b) above~~ (b) above in respect of the contract to arbitration under the relevant Exchange Rules, shall give to the Clearing House notice of such referral pursuant to Exchange Rules and details of any award made.

(e) The Member shall promptly provide the Clearing House with such further particulars of his claim, as the Clearing House may from time to time require in writing.

## CHAPTER VII – DISPUTE RESOLUTION

### ~~Regulation 23~~ REGULATION 33 ARBITRATION: CLEARED EXCHANGE CONTRACTS, TURQUOISE DERIVATIVES CLEARED EXCHANGE CONTRACTS, EQUITYCLEAR CONTRACTS OR LCH ENCLEAR OTC CONTRACTS (FOR PHYSICAL DELIVERY)

(a) In this ~~Regulation 23~~, “Regulation 33, “Relevant Rules” means relevant Exchange Rules or relevant ATP Market Rules.

Subject to ~~Regulation 62A(n)~~, Regulation 70(a), paragraph (e) below, 1, and to the terms of a ~~Member~~-Link Agreement to which the Clearing House and a ~~Member~~Co-operating Clearing House are party, 2 a dispute arising from or in relation to any Cleared Exchange Contract, any EquityClear Contract, or any LCH EnClear OTC Contract for physical delivery (“Physical LCH EnClear Contract”) or in relation to these Regulations relating to the clearing of Cleared Exchange Contracts, EquityClear Contracts or Physical LCH EnClear Contracts shall, unless resolved between the Clearing House and the Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon a Member who is a buyer and a Member who is a seller, under the terms of Cleared Exchange Contracts, EquityClear Contracts or Physical LCH EnClear Contracts as applicable, which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.

(b) In the event that the Clearing House elects to call upon a seller and a buyer to arbitrate between them pursuant to ~~Regulation 23(a)~~Regulation 33(a) above and the Relevant Rules, the following procedures shall apply:

(i) the Clearing House shall give notice of such election to the buyer, the seller and the relevant Exchange, or the relevant ATP ~~or relevant AETS~~, as applicable, in accordance with such Relevant Rules;

(ii) the seller shall at its own expense have the conduct of the Clearing House’s case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House’s case against the seller, in either case, subject to the provisions of this Regulation;

(iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;

(iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and

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<sup>2</sup> To delete if Oslo Clearing Agreement is not EMIR Compliant.

(v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.

(c) If the Clearing House is found liable to one of the parties to the arbitration (~~“the first party”~~) in respect of a breach of a Cleared Exchange Contract or an EquityClear Contract and the other party to the arbitration (~~“the second party”~~) is found liable to the Clearing House in respect of such breach of a Cleared Exchange Contract, or EquityClear Contract as applicable, which has been matched by the Clearing House as referred to in paragraph ~~(a) above~~, (a) above, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

(d) [Subject to the terms of Link Agreement to which the Clearing House and a **Participating Exchange Co-operating Clearing House** are party,<sup>3</sup> a dispute arising from or in relation to any Turquoise Derivatives Cleared Exchange Contract (including a dispute concerning Member compliance with the Exchange Rules) or in relation to these Regulations relating to the clearing of a Turquoise Derivatives Cleared Exchange Contracts shall, unless resolved between the Clearing House and the Member, be finally resolved by arbitration under the LCIA Rules, which rules are deemed to be incorporated by reference into this clause, by three arbitrators, the seat of the arbitration to be England, with any hearings to be held in London in the English language.- The Clearing House shall be entitled, at its option, to call upon a Member who is a buyer and a Member who is a seller, under the terms of the Turquoise Derivatives Cleared Exchange Contracts to conduct the arbitration accordingly.

(e) In the event that the Clearing House elects pursuant to Regulation ~~2333(d) above~~, above, to call upon a seller and a buyer to arbitrate between them, the following procedure~~s~~ shall apply:

(i) the Clearing House shall give notice of such election to the buyer, the seller and to TGHL [and any relevant **Participating Exchange Co-operating Clearing House**]<sup>4</sup>;

~~(i) the seller shall at its own expense have the conduct of the Clearing House’s case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House’s case against the seller, in either case, subject to the provisions of this Regulation;~~

~~(i) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;~~

~~(i) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and~~

<sup>3</sup> To delete if Oslo Clearing Agreement is not EMIR Compliant.

<sup>4</sup> To delete if Oslo Clearing Agreement is not EMIR Compliant.

- ~~(i) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.~~
- (ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;
- (iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;
- (iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and
- (v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.

(f) If the Clearing House is found liable to one of the parties to the arbitration (~~“(the first party)”~~) in respect of a breach of a Turquoise Derivatives Cleared Exchange Contract and the other party to the arbitration (~~“(the second party)”~~) is found liable to the Clearing House in respect of such breach of a Turquoise Derivatives Cleared Exchange Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

(g) Where any dispute arises from or in relation to any LCH EnClear OTC Contract or in relation to these Regulations relating to the clearing of an LCH EnClear OTC Contract and there are at the time such dispute arises no provisions in the Relevant Rules for arbitration of such dispute or no Relevant Rules, then the dispute shall, unless resolved between the Clearing House and the Member, be finally resolved by the LCIA Rules, which rules are deemed to be incorporated by reference into this clause, by three arbitrators, the seat of the arbitration to be England, with any hearings to be held in London in the English language. The Clearing House shall be entitled, at its option, to call upon a Member who is a buyer and a Member who is a seller, under the terms of the LCH EnClear OTC Contract to conduct the arbitration accordingly.

(h) In the event that the Clearing House elects pursuant to Regulation ~~2333(g) above~~; above, to call upon a seller and a buyer to arbitrate between them, the following ~~procedures~~ shall apply:

- (i) the Clearing House shall give notice of such election to the buyer, ~~and~~ the seller ~~and to any relevant AETS~~, as applicable;
- ~~(i) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the~~



~~Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;~~

~~(i) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;~~

~~(i) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and~~

~~(i) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.~~

(ii) the seller shall at its own expense have the conduct of the Clearing House's case against the buyer, and the buyer shall at its own expense have the conduct of the Clearing House's case against the seller, in either case, subject to the provisions of this Regulation;

(iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the seller and the buyer;

(iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and

(v) the arbitrators shall issue two awards, one between the seller and the Clearing House and one between the buyer and the Clearing House which shall determine the rights of each of the seller and the buyer against the Clearing House and vice versa.

(i) If the Clearing House is found liable to one of the parties to the arbitration (~~“the first party”~~) in respect of a breach of an LCH EnClear OTC Contract and the other party to the arbitration (~~“the second party”~~) is found liable to the Clearing House in respect of such breach of an LCH EnClear OTC Contract, the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

(j) The Clearing House shall be bound by an arbitration award made against it in pursuance of an, arbitration whether it participates directly in the arbitration or not.

(k) No person may refer to arbitration under Exchange Rules any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.



~~Regulation 24~~ REGULATION 34 COLLATERAL IN EVENT OF A CLAIM

If notice of claim and notice of intention to refer a dispute to arbitration is given to the Clearing House pursuant to Exchange Rules, ~~Regulation 22~~ Regulation 34 or ~~Regulation 62A~~ Regulation 70 in respect of an open contract, ~~an Equity Clear Contract~~, any or all Collateral (including any Applied Collateral Excess Proceeds) ~~standing to the credit of the account of a Member who~~ in which the relevant contract is ~~party to one or more contracts under dispute~~ registered (whether such Collateral is held with respect to ~~a~~ the contract under dispute or otherwise) may be retained by the Clearing House. The Clearing House may at any time and from time to time demand transfer by such Member of additional Collateral, in such amount as it may deem appropriate in respect of such contract or contracts, to be held by the Clearing House under these Regulations until the claim is finally disposed of. The amount of such Collateral to be transferred by the Member to the Clearing House shall be assessed by reference to such circumstances as the Clearing House in its discretion deems relevant.

**CHAPTER VIII ~~DEFAULT OF A MEMBER~~ – DEFAULT, DISORDER, IMPOSSIBILITY  
AND FORCE MAJEURE**

**REGULATION 35 DELIVERY (OR OTHER) FAILURES**

- (a) Without prejudice to the Default Rules and the Procedures, if a RepoClear Clearing Member, an EquityClear Clearing Member or a Clearing Member acting in respect of a Turquoise Derivatives Cleared Exchange Contract as seller fails to deliver securities to the Clearing House under a RepoClear Contract, RepoClear GC Contract, EquityClear Contract or Turquoise Derivatives Cleared Exchange Contract by the due time therefor, the Clearing House may issue directions, in accordance with the Procedures, to the seller and to a Clearing Member as buyer under a corresponding Contract regarding the performance of such Contracts and such directions shall be binding on such Clearing Members.
- (b) The Clearing House shall be entitled to demand Collateral in respect of a Member's margin obligations in such amounts and in such form as it may require in accordance with the Procedures:
- (i) from a Clearing Member who has failed to deliver securities under a RepoClear Contract, RepoClear GC Contract or EquityClear Contract by the due time therefor and from the buying Clearing Member under the corresponding Contract; and
- (ii) from a Clearing Member where it has failed to deliver securities or other instruments or pay the Price under a Turquoise Derivatives Cleared Exchange Contract by the due time therefor.
- (c) A Clearing Member who has failed to deliver securities or other instruments to the Clearing House under a RepoClear Contract, RepoClear GC Contract, EquityClear Contract or Turquoise Derivatives Cleared Exchange Contract, or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under this Regulation 35.
- (d) Without prejudice to the Default Rules, if a selling Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under RepoClear Contracts, RepoClear GC Contracts, EquityClear Contracts or Turquoise Derivatives Cleared Exchange Contracts (other than in circumstances where Regulation 37 and/or Regulation 38 apply)), and the Clearing House in its reasonable opinion (and, in the case of the Turquoise Derivatives Service, after consultation with TGHL) determines that the reputation of the relevant Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the Clearing Member's ability to have RepoClear Contracts, RepoClear GC Contracts, EquityClear Contracts and/or Turquoise Derivatives Cleared Exchange Contracts (as the case may be) registered in his name and to require him to liquidate or transfer under Regulation 18 open contracts, being RepoClear Contracts, RepoClear GC Contracts, EquityClear Contracts and/or Turquoise Derivatives Cleared Exchange Contracts (as the case may be) registered in his name.

**~~Regulation 25~~REGULATION 36 DEFAULT OF A MEMBER: SUBSTITUTED OBLIGATION**

Where a Member defaults in performance of an open contract subject to tender, and by the operation of Default Rules the Member's rights and liabilities in respect of such performance are discharged and there arises in their place an obligation to account as between the Member and the Clearing House for a settlement amount, then the Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof *pro rata*, for its rights and liabilities in respect of performance of open contracts subject to tender with one or more other Members (such open contracts and such other Members to be selected by the Clearing House in its absolute discretion) for the same commodity and delivery month or prompt date. No Member shall question the settlement amount or any determination made by the Clearing House under this Regulation.



**~~Regulation 26~~REGULATION 37 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY**

(a) Paragraph ~~(e)~~(c) of this ~~Regulation 26~~Regulation 37 shall not apply to open contracts which are option contracts.

(b) In relation to Cleared Exchange Contracts and Turquoise Derivatives Cleared Exchange Contracts, if a Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Board with respect to sub-paragraph ~~(i)~~ below(i) below only, or if the Clearing House, in relation to OTC Contracts or EquityClear Contracts, or LCH EnClear OTC Contracts determines that one of the following conditions is satisfied, namely:

(i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or

(ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or

(iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

(iv) in respect of such open contracts which are OTC Contracts or EquityClear Contracts or LCH EnClear OTC Contracts as specified by the Clearing House, and notified to the affected Members, the Clearing House shall be entitled to invoice back such contracts in accordance with ~~Regulation 28~~Regulation 39 and the Procedures at a price determined by the Clearing House or to require such Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such contracts; and

(v) such open contracts which are Cleared Exchange Contracts for such delivery months, prompt dates or other delivery periods as the Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Board) as the Clearing House shall specify (which may include open contracts under which tender or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with ~~Regulation 28~~Regulation 39 and the Procedures at a price determined by the Board (or the Clearing House as the case may be). In the event that a price falls to be determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Board pursuant to Exchange Rules.

Accounts shall be made up by the Clearing House in accordance with the Procedures for each Member who is a party to open contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

(c) If, in the opinion of the Clearing House after consultation with the relevant Board, a seller's complete performance of an open contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph ~~(b) above~~; (b) above), the affected contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Board, and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the Procedures.

(d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more open contracts for such commodity in a Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.

Any formal announcement made under this Regulation shall be made by notice posted up on the floor of the market or as prescribed by the Procedures.

~~Regulation 27~~ REGULATION 38 FORCE MAJEURE

(a) Neither the Clearing House (nor any other member of the LCH.Clearnet Group) nor a Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these Regulations or of any Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in Regulation ~~26~~37(b)(i), (ii) or (iii) ~~above~~; above, terrorist or other criminal action, civil unrest, embargoes, fire, flood, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules.

(b) On the happening of any one or more of the events or circumstances referred to in paragraph ~~(a) above~~, (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph ~~(a) above~~ (a) above to the other:

(i) in respect of affected Cleared Exchange Contracts, and Turquoise Derivatives Cleared Exchange Contracts, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with ~~Regulation 28~~, Chapter IX, some or all Contracts in the Member's name at a price determined by the relevant Exchange, or where Exchange Rules permit, to take such other action as it deems necessary or desirable in respect of some or all Contracts in the Member's name or require the Member to take such action as the Clearing House may direct in respect of the same; and

(ii) in respect of affected OTC Contracts, affected EquityClear Contracts, and affected LCH EnClear OTC Contracts, the Clearing House shall be entitled to require any of the affected Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with ~~Regulation 28~~, Regulation 39, or shall be entitled to require the Member to take such action as the Clearing House may direct in respect of such Contracts.

## CHAPTER IX – INVOICING BACK AND CURRENCY CONVERSION

### **Regulation-28** REGULATION 39 **INVOICING BACK**

- (a) Invoicing back of a Member's Contracts pursuant to Regulation ~~2637~~ or ~~2738~~ or the Default Rules or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the Procedures opposite contracts between itself and the Member at the price referred to in the relevant Regulation or, where applicable, in paragraph ~~(d) below;~~ (d) below, and thereupon settling such Contracts against such opposite contracts.
- (b) The Clearing House shall, in addition to carrying out the procedure~~s~~ referred to in paragraph ~~(a) above;~~ (a) above, register opposite contracts between itself and such other Members as the Clearing House may select in its absolute discretion in proportion to the net position of open contracts in their names for the same commodity and delivery month or prompt date as the Contracts invoiced back under paragraph ~~(a) above;~~ (a) above to the nearest whole number of lots, or in the case of option contracts on the terms of the exchange contracts specified in the Procedures, for the same expiry month and strike price as the Contracts invoiced back under paragraph ~~(a) above;~~ (a) above, or in the case of OTC Contracts on the same OTC Contract Terms as the Contracts invoiced back under paragraph ~~(a) above;~~ (a) above, or, in the case of EquityClear Contracts on the same EquityClear Contract Terms as the Contracts invoiced back under paragraph ~~(a) above;~~ (a) above, or in the case of LCH EnClear OTC Contracts on the same LCH EnClear OTC Contract Terms (as the case may be) as the Contracts invoiced back under paragraph (a) above, and thereupon settling such open contracts against such opposite contracts.
- (c) Where open contracts are invoiced back pursuant to ~~Regulation 26(b)~~ Regulation 37(b) or ~~(e) Regulation 37(c)~~ the Clearing House shall ~~make up credit or debit (as the case may be) the Member's~~ accounts ~~of any Member~~ affected by such invoicing back in accordance with ~~Regulation 26(b) or (e);~~ Regulation 37(b) or Regulation 37(c), as applicable. Where a Contract is invoiced back under the Default Rules, the account of such other Member as may be affected under paragraph ~~(b) above;~~ (b) above shall be made up in accordance with that paragraph.
- (d) Opposite contracts effected and registered by the Clearing House pursuant to:
- (i) paragraph ~~(a)~~ (a) and ~~(b) above;~~ (b) above, other than where done pursuant to the Default Rules, shall, subject to ~~Regulation 26(b)~~ Regulation 37(b) or ~~(e);~~ Regulation 37(c), be at a price or, where applicable, a premium fixed or determined by the relevant Board or, in the case of OTC contracts or EquityClear Contracts or LCH EnClear OTC Contracts, at a price determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back.
- (ii) paragraph (a) pur~~s~~uant to the Default Rules shall be at a price; or, where applicable, a premium fixed or determin~~e~~d by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back except that this paragraph shall be without prejudice to any further liability of the defaulting Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting Member whether under these Regulations, at law or otherwise.



(e) In this Regulation:

(i) “net position” means: in respect of open contracts which are Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts, one or more of such Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts as the case may be, against which the Member in whose name they are registered has no matching Cleared Exchange Contracts or Turquoise Derivatives Cleared Exchange Contracts as the case may be for the same delivery month, expiry month or prompt date; in respect of open contracts which are SwapClear Contracts, means one or more of such SwapClear Contracts against which the Member in whose name they are registered has no matching SwapClear Contracts on the same Economic Terms; in respect of RepoClear Contracts, means one or more of such RepoClear Contracts against which the Member in whose name they are registered has no matching RepoClear Contracts on the same Economic Terms; in respect of EquityClear Contracts, means one or more of such EquityClear Contracts against which the Member in whose name they are registered has no matching EquityClear Contracts on the same EquityClear Contract Terms; in respect of LCH EnClear OTC Contracts, means one or more of such LCH EnClear OTC Contracts against which the Member in whose name they are registered has no matching LCH EnClear OTC Contracts on the same LCH EnClear OTC Contract Terms, as the case may be; in respect of open contracts which are ForexClear Contracts, means one or more of such ForexClear Contracts against which the Member in whose name they are registered has no matching ForexClear Contracts on the same Economic Terms;

(ii) “opposite contract” means a contract on the same terms (except as to price or premium), as the Contract to be invoiced back in accordance with this Regulation, but:

(A) where a Member is a seller, in respect of the Cleared Exchange Contract, the Turquoise Derivatives Cleared Exchange Contract, the RepoClear Contract, the EquityClear Contract or LCH EnClear OTC Contract to be invoiced back, such Member shall be a buyer in respect of the opposite contract and vice versa;

(B) where a SwapClear Clearing Member is a floating rate payer, in respect of a SwapClear Contract to be invoiced back, such SwapClear Clearing Member shall be a fixed rate payer in respect of the opposite contract and vice versa;

(C) where a ForexClear Clearing Member is a Reference Currency Buyer in respect of a ForexClear Contract to be invoiced back, such ForexClear Clearing Member shall be a Reference Currency Seller in respect of the opposite contract and vice versa.

~~Regulation 29~~ REGULATION 40 CURRENCY CONVERSION

~~For the purpose of exercising any rights under these Regulations, the~~ The Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of a Member's accounts (including ~~client accounts~~ Client Accounts) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the Procedures.

## CHAPTER X – DISCLOSURE, FEES, RECORDS AND AMENDMENTS

### **Regulation 30** REGULATION 41 DISCLOSURE AND REPORTING

- (a) The Clearing House shall have authority to supply any information whatsoever concerning a Member and its trading to (a) an Exchange or an exchange with whom the Clearing House has entered into an agreement pursuant to which the parties have agreed to exchange information as required or contemplated by its Exchange Rules, (b) ~~to~~ any Regulatory Body which is entitled to receive or request any such details or information, (c) ~~to a Participating Exchange~~ a Co-operating Clearing House pursuant to an agreement entered into with the ~~Participating Exchange~~ Co-operating Clearing House, (d) any Approved Equity Clear Settlement Provider pursuant to an agreement entered into with that Approved Equity Clear Settlement Provider, (e) a member of the LCH.Clearnet Group Limited, (f) ~~LCH.Clearnet SA or~~ (g) ~~to~~ any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same, (g) any other person or body to which the Clearing House has agreed to provide such information (including, without limitation, pursuant to Section 5 (Disciplinary Proceedings) of the Procedures), (h) a trade or data repository or similar body on an ongoing basis in the ordinary course of business, or (i) any securities depository or securities settlement system on an ongoing basis in the ordinary course of business.
- (b) The Clearing House shall also be entitled to supply any information whatsoever concerning a Member to any person who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.
- (c) The Clearing House shall have authority (a) to obtain and make use of information from SWORD, securities depositories, warehouses and/or any other trade repositories relating to a Member; and (b) to disclose such information to any Regulatory Body or Exchange which is entitled to receive or request any such information.

~~The Clearing House shall have authority to supply to a Cross-Margining Exchange any information relative to a Cross-Margining Participant, as contemplated under the Cross-Margining Agreement between the Clearing House and the Cross-Margining Exchange.~~

~~Regulation 31~~ **REGULATION 42** FEES AND OTHER CHARGES

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such Members, by such times, and in such manner as may be prescribed by the Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to ~~Regulation 12(h) or~~ ~~(i)~~ Regulation 20(h) to (j) shall be payable to the Clearing House by such Members, in such manner and by such times as may be prescribed by the Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs ~~(a) and (b)~~ ~~above~~ (a) and (b) above shall take effect, as prescribed by the Procedures.

**Regulation ~~32~~ REGULATION 43 RECORDS**

A Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to Regulations ~~6 to 8 and 15 to 20~~ 12 to 15 and Regulation 23 to Regulation 30 inclusive.

Notwithstanding any provision in the Clearing Membership Agreement, Rulebook or any other agreement or contract to which the Clearing House may be a party, the Clearing House shall maintain all records and information on all contracts it has processed for a period of at least ten years.

## REGULATION 44 ALTERATION OF REGULATIONS AND THE PROCEDURES

- (a) Unless the Clearing Membership Agreement or these Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Rules Change Committee (acting in accordance with its terms of reference) may from time to time, by notice delivered by the Clearing House to the Exchanges and Members, alter, amend or extend these Regulations.
- (b) Any such alterations, amendments or extensions may be made with immediate effect or with such deferred effect as the Rules Change Committee shall determine. Any alterations, amendments or extensions to these Regulations may take effect so as to apply to Contracts registered in a Member's name at the time such alterations, amendments or extensions come into effect if the Rules Change Committee so determines.
- (c) Unless the Clearing Membership Agreement or these Regulations or the Procedures otherwise specifically provide in relation to any proposed alterations, amendments or extensions, the Rules Change Committee may from time to time alter, amend or extend the Procedures by notice delivered to such Exchanges and Members as may be affected.
- (d) The accidental omission to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, any Exchange or Member shall not invalidate the amendment or extension with which the notice is concerned.

## CHAPTER XI – NETTING AND DISTRIBUTION

### REGULATION 45 NETTING

- (a) If at any time the Clearing House fails to make a payment or a delivery of an asset to a Member, other than a Defaulter, under a Contract for a period of 30 days from the date when the obligation to pay or deliver fell due then that Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorise any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then a Member, other than a Defaulter, may exercise the right given to it under paragraph (c) below.
- (c) A Member entitled to exercise rights under this paragraph may, at any time whilst any of the circumstances referred to in paragraph (a) or (b) giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all Contracts to which it is a party in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date:
- (i) neither the Clearing House nor the Member shall be obliged to make any further payments or deliveries under any Contract between them which would, but for this Regulation 45, have fallen due for performance on or after the Termination Date, and any obligations to make further such payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
- (ii) the Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United Kingdom (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment or delivery which would otherwise have been required to be made under such Contract (assuming satisfaction of each applicable condition precedent and having due regard to, if appropriate, such market quotations published on, or official settlement prices set by, a relevant exchange or clearing organisation, as may be available on, or immediately preceding, the date of calculation);
- (iii) any cash Collateral balance held by the Clearing House and/or the Member in respect of the other party's initial margin and/or variation margin obligations shall (to the extent not already due and payable) be accelerated so as to become immediately due and payable to the party who provided such cash Collateral, and the Member

shall (on, or as soon as reasonably practicable after, the Termination Date) determine the Base Currency Equivalent of such amount(s). For the purposes of this Regulation 45, the "Base Currency Equivalent" means, in respect of any amount denominated in the Base Currency, such Base Currency amount and, in respect of any amount denominated in a currency other than the Base Currency (the "Other Currency"), the amount in the Base Currency determined by the Member as being required to purchase such amount of such Other Currency as at the relevant Termination Date, with the Base Currency; and

(iv) the Member shall treat each loss to it determined under paragraph (d)(ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable to it as a positive amount and each gain by it determined under paragraph (d)(ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable by it as a negative amount and, subject to paragraph (v), shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").

(v) Where a Member has a Proprietary Account and one or more Client Accounts:

(A) the Member shall determine one or more net amounts under paragraph (d)(iv): a separate net amount in respect of gains and losses arising on Contracts registered in each of its Client Accounts and any corresponding cash Collateral balances held by that Member or the Clearing House; and a further separate net amount in respect of gains and losses arising on all Contracts registered in such Member's Proprietary Account (or Proprietary Accounts as combined) and any corresponding cash Collateral balances held by that Member or the Clearing House; and

(B) each of the net amounts determined under paragraph (v)(A) shall constitute Termination Amounts.

(vi) If a Termination Amount determined pursuant to paragraph (v) above is a positive amount, the Clearing House shall pay it to the Member and if any such Termination Amount is a negative amount, the Member shall pay it to the Clearing House, in either case in accordance with paragraph (vii). The Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.

(vii) A Termination Amount shall, subject to Regulation 46, be paid in the Base Currency by the close of business on the business day following notification pursuant to paragraph (vi) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the Member may select) plus 1 per cent. per annum, for each day for which any such sum remains unpaid.

(viii) For the purposes of any calculation required to be made under this Regulation, the Member may convert amounts denominated in any other currency into the Base



Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The Member's rights under this Regulation 45 shall be in addition to, and not in limitation or exclusion of, any other rights which the Member may have (whether by agreement, operation of law or otherwise, including its rights under Regulation 10(i)).

(e) If a Member is a Defaulter and either:

(i) no default management process has been commenced by the Clearing House in respect of such Member within [3]<sup>5</sup> business days following a Default Notice being issued in respect of that Member; or

(ii) such default management process has been commenced within such period but that Member determines (acting reasonably) that the relevant default management process is unlikely to be completed.

then, provided that an event or circumstance as described in paragraph (a) (ignoring, for this purpose, the words "other than a defaulter" in that paragraph) or (b) above has also occurred, the relevant Member shall be entitled to exercise the rights provided under paragraph (c) above, notwithstanding that it is a Defaulter.

(f) Interpretation in Relation to FDICIA. The Clearing House and each Clearing Member intend that certain provisions of the General Regulations and the Procedures (including this Regulation 45) be interpreted in relation to certain terms that are defined in FDICIA, as follows:

(i) The Clearing House is a "clearing organization".

(ii) An obligation of a Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to a Clearing Member, subject to a netting contract, is a "covered clearing obligation" and a "covered contractual payment obligation".

(iii) An entitlement of a Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement".

(iv) The Clearing House is a "member", and each Clearing Member is a "member".

(v) The amount by which the covered contractual payment entitlements of a Clearing Member or the Clearing House exceed the covered contractual payment obligations of such Clearing Member or the Clearing House after netting under a netting contract is its "net entitlement".

(vi) The amount by which the covered contractual payment obligations of a Clearing Member or the Clearing House exceed the covered contractual payment entitlements of such Clearing Member or the Clearing House after netting under a netting contract is its "net obligation".

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<sup>5</sup> LCH to confirm

- (vii) The General Regulations and the Procedures, including this Regulation 45 constitute a “netting contract”.
- (viii) The provisions of the Rulebook (including the Default Rules) and the Procedures providing for the use and liquidation of Collateral each constitute a “security agreement of arrangement or other credit enhancement related to one or more netting contracts between any 2 members of a clearing organization”.
- (ix) For purposes of this Regulation 45, the term “payment” means “a payment of United States dollars, another currency, or a composite currency, and a noncash delivery, including a payment or delivery to liquidate an unmatured obligation”.

## REGULATION 46 DISTRIBUTION OF ASSETS

- (a) Where (after any netting and set-off provided for in Regulation 45 of these Regulations, Regulation 10(i) of these Regulations, Regulation 25 of the FCM Regulations, Regulation 7(i) of the FCM Regulations, or otherwise) the Clearing House has insufficient assets available to it to pay all claims of the Clearing Members (which shall include FCM Clearing Members for the purposes of this Regulation 46) in full (including, for the avoidance of doubt, any claims in respect of outstanding Contributions under Default Rule 16(a)(i)), such claims shall be met first in an amount equal to the sum of the outstanding Contributions of each such Clearing Member and, thereafter, *pro rata* to each Clearing Member's remaining claim, taking into account any amounts already received.
- (b) To the extent the Clearing House does not have sufficient assets available to it to pay each Clearing Member the amount equal to the sum of its outstanding Contributions, the Clearing House shall distribute the assets available to it to Clearing Members in respect of their claims relating to outstanding Contributions in priority to other Clearing Member claims, in each case in an amount equal to the proportion that the outstanding Contributions of the relevant Clearing Member bear to the aggregate of all outstanding Contributions of all Clearing Members.

## REGULATION 46A SOLVENCY THREATENING TREASURY DEFAULT LOSS

(a) In this Regulation:

"Calculation Period" means, in respect of a type of Business, a period of the number of days specified in the "Combined Loss Value" calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms "Business", "Combined Loss Value" and "Fund Amount" have the meanings set out in the Default Fund Rules);

"Margin Weight" means:

(i) the aggregate of a Clearing Member's total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 46A(b) below;

divided by

(ii) the total average margin requirement of all Clearing Members (including FCM Clearing Members) during the same period; and

"Treasury Default" means, in connection with the Clearing House's treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a "Solvency Threatening Treasury Default Loss".

(c) The Clearing House will, in respect of each Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that Clearing Member based on that Clearing Member's Margin Weight (an "Allocated Loss"). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that Clearing Member's Margin Weight. For the purpose of the calculation of Margin Weight, the margin requirements for any Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.

(e) Each Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that Clearing Member's Proprietary Account.

(f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a Clearing Member and may in no circumstances be challenged or called into question.

(g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each Clearing Member and each FCM Clearing Member in respect of that Treasury Default by crediting the relevant Clearing Member's Proprietary Account. Nothing in this Regulation 46A(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

## CHAPTER XII – MISCELLANEOUS

### ~~Regulation 33~~ REGULATION 47 PROCEDURES

The Procedures shall take effect and shall be binding on Members as if they formed part of these Regulations save that, in the event of any conflict between the provisions of these Regulations and the Procedures, the provisions of these Regulations shall prevail.

### ~~Alteration of Regulations and the Procedures~~

~~Unless the Clearing Membership Agreement or these Regulations otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time, by notice delivered to the Exchanges and Members, amend or extend these Regulations and such amendment or extension may be made with immediate effect or with such deferred effect as the Clearing House shall determine. Any amendment or extension to these Regulations may take effect so as to apply to Contracts registered in a Member's name at the time such amendment or extension comes into effect if the Clearing House so determines.~~

~~Unless the Clearing Membership Agreement or these Regulations or the Procedures otherwise specifically provide in relation to any proposed amendment or extension, the Clearing House may from time to time amend or extend the Procedures by notice delivered to such Exchanges and Members as may be affected.~~

~~(c)(a) The accidental omission to give notice under this Regulation to, or the non receipt of notice under this Regulation by, any Exchange or Member shall not invalidate the amendment or extension with which the notice is concerned.~~



~~Regulation 35~~ **REGULATION 48** INTERPRETATION OF THESE REGULATIONS

- (a) In the event of inconsistency between the provisions of these Regulations and Exchange Rules, or between these Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking, the provisions of these Regulations shall prevail.
- (b) The headings to these Regulations are for convenience only and shall not affect their interpretation.

~~Regulation 36~~ REGULATION 49 WAIVER

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

**Regulation ~~37~~ REGULATION 50 VALIDITY OF REGULATIONS AND ACTION**

- (a) If at any time any provision of these Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.
- (b) Action taken by the Clearing House pursuant to Exchange Rules may not be questioned on the ground that the Exchange Rules are to any extent invalid or ultra vires or that a determination or request made by the Exchange, or any agreement made by the Exchange, is ultra vires, incompatible with Exchange Rules or otherwise questionable.

## ~~Regulation 38~~ REGULATION 51 GOVERNING LAW AND JURISDICTION

- (a) These Regulations and the Procedures, an OTC Contract, a Turquoise Derivatives Cleared Exchange Contract, an EquityClear Contract, an LCH EnClear OTC Contract, [an HKMEx Contract,]<sup>6</sup> a Nodal Contract, an FEX Contract and an NLX Contract and all non-contractual or other obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- (b) ~~Subject to the terms of a Member Link Agreement to which the Clearing House and a Member are party any~~ Any dispute arising from or in relation to any Contract or in relation to these Regulations shall, unless resolved between the Clearing House and a Member, be referred to arbitration under the Relevant Rules in accordance with ~~Regulation 23. The obtaining of an arbitration award shall be a condition precedent to the~~ Regulation 33. Any right of the Clearing House or the Member to bring or maintain any action, suit or other legal procedures against the other, ~~except only~~ shall be conditional upon the obtaining of an arbitration award. Notwithstanding the foregoing, the Clearing ~~House's~~ House shall have an unconditional right to maintain proceedings to obtain security for a claim. This paragraph is subject to ~~Regulation 23(k)~~ Regulation 33(k) and shall not apply to any action, suit or other legal procedure concerning a dispute there referred to.
- (c) The Clearing House and every Member hereby irrevocably agree for the benefit of the Clearing House that the courts of England shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any Contract or in relation to these Regulations which does not fall to be referred to arbitration under paragraph ~~(b), or to be dealt with in a different forum under the terms of a Member Link Agreement~~ (b), or to be dealt with under the ATS Rules (as defined in ~~Regulation 56A(a)~~ Regulation 63(a)) pursuant to the provisions of ~~Regulation 56(l)~~ Regulation 64 and each Member irrevocably submits to such jurisdiction and to waive any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the English courts shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (d) Each Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgement) and execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.
- (e) ~~Subject to paragraph (a) above and (i) below and (j) below~~ Subject to paragraph (a) above and Exchange Rules, a Cleared Exchange Contract shall, after registration in the name of a Member, continue to be governed by and construed in accordance with the law governing it prior to registration.

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<sup>6</sup> To be deleted upon termination of HKMEx Service (if service is terminated)

## REGULATION 52 EXCLUSION OF LIABILITY

~~An OTC Contract and a Turquoise Derivatives Cleared Exchange Contract shall be governed by and construed in accordance with English law.~~

~~An EquityClear Contract shall be governed by and construed in accordance with English law.~~

~~An LCH EnClear OTC Contract shall be governed by and construed in accordance with English law.~~

~~A HKMEx Contract shall be governed by and construed in accordance with English law.~~

~~A Nodal Contract shall be governed by and construed in accordance with English law.~~

~~An NLX Contract shall be governed by and construed in accordance with English law.~~

## Exclusion of Liability

- (a) Without prejudice to the provisions of Regulations ~~1 and 22 and 39(e)~~ or to the provisions of ~~a Member Link Agreement, 2 and 32 and 52(e)~~ neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any ~~client~~ Clearing Client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of the market administered by an Exchange, an ATP or a ~~Participating Exchange~~ Co-operating Clearing House, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or an Exchange or a ~~Participating Exchange~~ Co-operating Clearing House or an ATP or its operator or the relevant approved agent or the Approved EquityClear Settlement Provider to supply each other with data or information in accordance with arrangements from time to time established between any or all of such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, an Exchange, or a ~~Participating Exchange for the purposes of a Link~~ Co-operating Clearing House; any event which is outside the control of the Clearing House; any act or omission of an Exchange, or a ~~Participating Exchange~~ Co-operating Clearing House in connection with a ~~Linked Exchange Contract or a Participating Exchange~~ Co-operating Clearing House Contract or any contracts made on such terms, including, without limitation, any error in the establishment of a settlement price made by an Exchange; any act or omission of the Clearing House, an Exchange, or a ~~Participating Exchange~~ Co-operating Clearing House (as the case may be) in connection with the operation of a Link or the arrangements for the transfer of Contracts under a Link; ~~or any act or omission of a Board or an Exchange or any determination made under Exchange Rules in connection with LIFFE Credit Default Swap Index Contracts or the terms thereof.~~
- (b) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a Member or any other person (including without limitation a SwapClear Dealer, or a RepoClear Dealer or ~~an EquityClear NCM or a ForexClear Dealer~~) in respect of any dispute arising from or in relation to any OTC Transaction, Eligible OTC Trade, or an ATP Match including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, Eligible OTC Trade, the terms of such OTC Transaction, Eligible OTC Trade, trade or ATP Match, or whether any alleged agreement or arrangement constitutes an OTC Transaction or Eligible OTC Trade.
- (c) Without prejudice to the provisions of ~~Regulation 1~~ Regulation 2 and ~~Regulation 39(e), Regulation 52(e)~~, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member, ~~a~~ RepoClear Clearing Member, EquityClear ~~Participant~~ Clearing Member, LCH EnClear OTC Clearing Member, ForexClear Participant or to any other person (including, without limitation, a SwapClear Dealer or a RepoClear Dealer) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of an OTC Service or the EquityClear Service or the LCH EnClear OTC Services (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under ~~Regulations 26, 27, 47(f), 54(f) or 67~~ Regulation 16(i), Regulation 37, Regulation 38, Regulation 55(g), or Regulation 72 or any failure or

malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.

(d) Without prejudice to ~~Regulation 39(e)~~[Regulation 52\(c\)](#) and ~~39(e)~~[Regulation 52\(e\)](#), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), ~~be liable~~ to any Member, or a SwapClear Dealer, a RepoClear Dealer, ~~an EquityClear NCM~~, or a ForexClear Dealer for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such Member, SwapClear Dealer, RepoClear Dealer, ~~an EquityClear NCM~~, or a ForexClear Dealer, and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.

(e) Nothing in this ~~Regulation 39~~[Regulation 52](#) shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House and for any actions that it may take on the basis of advice given to it by the SwapClear DMG, and for the accuracy of the information that it distributes to the SwapClear Clearing Members in connection with the SwapClear DMP pursuant to the SwapClear DMP Annex [in the Default Rules](#), and for any actions that it may take on the basis of advice given to it by the ForexClear DMG, and for the accuracy of the information that it distributes to the ForexClear Clearing Members in connection with the ForexClear DMP pursuant to the ForexClear DMP Annex [in the Default Rules](#).

(f) Without prejudice to the provisions of ~~Regulations 1~~[Regulation 2](#) and ~~22~~[Regulation 32](#) and ~~39(e)~~[Regulation 52\(e\)](#) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any ~~client~~[Clearing Client](#) of a Member or a member of a ~~Participating Exchange~~[Co-operating Clearing House](#) or any ~~client~~[Clearing Client](#) of such member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by TGHL or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of TGHL, in supplying any services to the Clearing House with regard to the ~~Clearing House~~ Turquoise Derivatives Services or as a result of or in connection with any inconsistency or conflict between any provision contained in the Turquoise Derivatives Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.

~~Without prejudice to the provisions of Regulations 22 and 39(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member or a member of a Participating Exchange or any client of such member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by LIFFE, or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of LIFFE in relation to the physical settlement of any Contracts or any failure in its administration of deliveries under any Contracts or as a result of or in connection with any inconsistency or conflict between any provision relating to such settlement contained in the LIFFE Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.~~

~~(h)~~(g) For the purposes of the Contracts (Rights of Third Parties) Act 1999, save as is expressly set out herein, these Regulations, Default Rules and Procedures do not create any rights in any persons who is/are not a Member/s.

~~(i)~~(h) Without prejudice to ~~Regulation 1~~Regulation 2 and ~~Regulation 39(e)~~Regulation 52(e), neither the Clearing House, nor any other member of the LCH.Clearnet Group, shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.



## ~~Netting~~

~~If at any time the Clearing House fails to make a payment or a delivery of an asset to a Member, other than a defaulter, under a Contract for a period of 30 days from the date when the obligation to pay or deliver fell due then that Member may exercise its rights under paragraph (c) below.~~

~~If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorise any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then a Member, other than a defaulter, may exercise the right given to it under paragraph (c) below.~~

~~A Member entitled to exercise rights under this paragraph may, at any time whilst any of the circumstances referred to in paragraph (a) or (b) giving rise to such rights continue, by notice in writing to the Clearing House, specify a Termination Date for the termination and liquidation of all Contracts to which it is a party in accordance with paragraph (d) below.~~

### ~~(a) Upon the occurrence of a Termination Date:~~

~~neither the Clearing House nor the Member shall be obliged to make any further payments or deliveries under any Contract between them which would, but for this Regulation 39A, have fallen due for performance on or after the Termination Date, and any obligations to make further such payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;~~

~~(i) the Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine (discounting if appropriate) in respect of each Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United Kingdom (the "Base Currency"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment or delivery which would otherwise have been required to be made under such Contract (assuming satisfaction of each applicable condition precedent and having due regard to, if appropriate, such market quotations published on, or official settlement prices set by, a relevant exchange or clearing organisation, as may be available on, or immediately preceding, the date of calculation);~~

~~any cash Collateral balance held by the Clearing House and/or the Member in respect of the other party's initial margin and/or variation margin obligations shall (to the extent not already due and payable) be accelerated so as to become immediately due and payable to the party who provided such cash Collateral, and the Member shall (on, or as soon as reasonably practicable after, the Termination Date)~~

~~determine the Base Currency Equivalent of such amount(s). For the purposes of this Regulation 39A, the "Base Currency Equivalent" means, in respect of any amount denominated in the Base Currency, such Base Currency amount and, in respect of any amount denominated in a currency other than the Base Currency (the "Other Currency"), the amount in the Base Currency determined by the Member as being required to purchase such amount of such Other Currency as at the relevant Termination Date, with the Base Currency; and~~

~~the Member shall treat each loss to it determined under paragraph (d)(ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable to it as a positive amount and each gain by it, determined under paragraph (d)(ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable by it, as a negative amount and, subject to paragraph (v), shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "Termination Amount").~~

~~Where a Member has a Proprietary Account and one or more client accounts:~~

~~the Member shall determine one or more net amounts under paragraph (d)(iv): (A) a separate net amount in respect of gains and losses arising on Contracts registered in each of its client accounts which are Individual Segregated Accounts or Omnibus Net Segregated Accounts and any corresponding cash Collateral balances held by that Member or the Clearing House; (B) a separate net amount in respect of gains and losses arising on all Contracts registered in all of its client accounts which are not Individual Segregated Accounts or Omnibus Net Segregated Accounts and any corresponding cash Collateral balances held by that Member or the Clearing House; and (C) a further separate net amount in respect of gains and losses arising on all Contracts registered in such Member's Proprietary Account (or Proprietary Accounts as combined) and any corresponding cash Collateral balances held by that Member or the Clearing House; ; and~~

~~each of the net amounts determined under paragraph (v)(1) shall constitute Termination Amounts.~~

~~(i) If a Termination Amount determined pursuant to paragraph (v) above is a positive amount, the Clearing House shall pay it to the Member and if any such Termination Amount is a negative amount, the Member shall pay it to the Clearing House, in either case in accordance with paragraph (vii). The Member shall notify the Clearing House of each such Termination Amount, and by which party it is payable, immediately after the calculation thereof.~~

~~(i) A Termination Amount shall, subject to Regulation 39B, be paid in the Base Currency by the close of business on the business day following notification pursuant to paragraph (vi) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is~~

~~available, at such reasonable rate as the Member may select) plus 1 per cent per annum, for each day for which any such sum remains unpaid.~~

~~(i) For the purposes of any calculation required to be made under this Regulation, the Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.~~

~~The Member's rights under this Regulation 39A shall be in addition to, and not in limitation or exclusion of, any other rights which the Member may have (whether by agreement, operation of law or otherwise, including its rights under Regulation 5(i)).~~

If a Member is a defaulter and either:

~~no default management process has been commenced by the Clearing House in respect of such Member within 3 business days following a default notice being issued in respect of that Member; or~~

~~such default management process has been commenced within such period but that Member determines (acting reasonably) that the relevant default management process is unlikely to be completed;~~

~~then, provided that an event or circumstance as described in paragraph (a) (ignoring, for this purpose, the words "other than a defaulter" in that paragraph) or (b) above has also occurred, the relevant Member shall be entitled to exercise the rights provided under paragraph (c) above, notwithstanding that it is a defaulter.~~

## Distribution of Assets

~~Where (after any netting and set-off provided for in Regulation 39A of these Regulations, Regulation 5(i) of these Regulations, Regulation 25 of the FCM Regulations, Regulation 6(i) of the FCM Regulations, or otherwise) the Clearing House has insufficient assets available to it to pay all claims of the Clearing Members (which shall include FCM Clearing Members for the purposes of this Regulation 39B) in full (including, for the avoidance of doubt, any claims in respect of outstanding Contributions under Default Fund Rule 23(a)(i)), such claims shall be met first in an amount equal to the sum of the outstanding Contributions of each such Clearing Member and, thereafter, pro rata to each Clearing Member's remaining claim, taking into account any amounts already received.~~

~~To the extent the Clearing House does not have sufficient assets available to it to pay each Clearing Member the amount equal to the sum of its outstanding Contributions, the Clearing House shall distribute the assets available to it to Clearing Members in respect of their claims relating to outstanding Contributions in priority to other Clearing Member claims, in each case in an amount equal to the proportion that the outstanding Contributions of the relevant Clearing Member bear to the aggregate of all outstanding Contributions of all Clearing Members.~~

## ~~Solvency Threatening Treasury Default Loss~~

~~In this Regulation:~~

~~“**Calculation Period**” means, in respect of a type of Business, a period of the number of days specified in the “Combined Loss Value” calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms “Business”, “Combined Loss Value” and “Fund Amount” have the meanings set out in the Default Fund Rules);~~

~~“**Margin Weight**” means:~~

~~the aggregate of a Clearing Member’s total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 39C(b) below;~~

~~divided by~~

~~the total average margin requirement of all Clearing Members (including FCM Clearing Members) during the same period; and~~

~~“**Treasury Default**” means, in connection with the Clearing House’s treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.~~

~~In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a “**Solvency Threatening Treasury Default Loss**”.~~

~~(a) The Clearing House will, in respect of each Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that Clearing Member based on that Clearing Member’s Margin Weight (an “**Allocated Loss**”). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.~~

~~(a) The maximum Allocated Loss that each Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that Clearing Member’s Margin Weight. For the purpose of the calculation of Margin Weight, the margin requirements for any Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.~~

~~(a) Each Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that Clearing Member’s Proprietary Account.~~

~~(a) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a Clearing Member and may in no circumstances be challenged or called into question.~~

~~If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each Clearing Member and each FCM Clearing Member in respect of that Treasury Default by crediting the relevant Clearing Member's Proprietary Account. Nothing in this Regulation 39C(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.~~

## CHAPTER XIII LINK- LME REGULATIONS

### ~~Regulation 40~~ REGULATION 53 ~~APPLICATION OF LINK REGULATIONS~~

~~These Link Regulations, which form a part of the General Regulations, apply in conjunction with all other provisions of the Regulations to Contracts which are on the terms of those Linked Exchange Contracts specified for the purpose of these Link Regulations in the Procedures and which are registered by the Clearing House in the name of a Member pursuant to Regulation 9. The references in these Link Regulations to “Contracts on the terms of a Linked Exchange Contract” shall be construed as referring to Contracts on the terms of a Linked Exchange Contract specified for the purpose of these Link Regulations in the Procedures. The references in these Link Regulations to “contracts on the terms of a Participating Exchange Contract” shall be construed as referring to contracts on the terms of a Participating Exchange Contract specified for the purposes of these Link Regulations in the Procedures.~~

~~In the event of any conflict between these Link Regulations and the General~~

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

#### LME Service Clearing Membership

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

#### Accounts

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

#### Client Clearing

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

*Formation, registration and transfers of LME Contracts*

- (j) LME's Rules govern the formation of a LME Transaction.
- (k) Regulation 13, Regulation 14 and Regulation 16 govern the registration and formation of a LME Contract.
- (l) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to a LME Contract which is an open contract.

*Margin and Collateral*

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

*Daily settlement*

- (n) Regulation 21, Regulation 22, Regulation 23, Regulation 24 and Regulation 25 apply to the daily settlement to market of open LME Contracts.

*Options*

- (o) Regulation 21, Regulation 26 and Regulation 27 apply to LME Contracts which are options.

*Physical settlement*

- (p) Regulation 28 to 32 (inclusive), Regulation 35 and Regulation 36 apply to LME Contracts.

*Arbitration*

- (q) Regulation 33 and Regulation 34 apply to LME 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 35 to Regulation 52 (inclusive) apply to LME Service Clearing Members and LME Contracts.

*Default Rules, the*

- ~~(b)~~(s) The Default Rules shall prevail apply to LME Service Clearing Members and LME Contracts.

*Clearing House Settlement Finality Regulations*



## ~~Transfer of Contracts on the terms of a Linked Exchange Contract~~

~~Each Contract on the terms of a Linked Exchange Contract registered by the Clearing House in the name of a Member pursuant to Regulation 9 which forms part of a Member's Day Position Balances and all other Contracts on the terms of a Linked Exchange Contract which do not form part of such Day Position Balances shall, subject to Regulations 42(a), 42(b) and 44, be transferred in accordance with paragraph~~

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

## ~~Summary table of Regulations which apply to the LME Service~~

~~The Regulations listed in this (e) below Regulation 53.~~

~~The Clearing House shall, in accordance with the Procedures, calculate each Member's Day Position Balances with respect to Contracts on the terms of a Linked Exchange Contract which are registered on a business day in each such Member's name and recorded in certain accounts referred to in the Procedures. Subject to Regulations 42(a), 42(b) and 44, the Clearing House shall transmit details of such Day Position Balances and all other Contracts on the terms of a Linked Exchange Contract registered on such business day in each such Member's name which do not form part of a Member's Day Position Balances to the relevant Participating Exchange in accordance with procedures from time to time agreed with, and by such time or times and on such day as agreed with, such Participating Exchange.~~

~~Upon the dispatch by the relevant Participating Exchange of a confirmation in such form as may be agreed from time to time with the Clearing House following receipt by such Participating Exchange of the details of Contracts transmitted pursuant to paragraph (b) aboveu, all such Contracts comprised in each Member's Day Position Balances and all other Contracts referred to in paragraph apply to the LME Service as described under (b) Regulation 53 shall be transferred under this paragraph (ea) and the terms of a Member Link Agreement to which each Member party to such Contracts is a party. The transfer of such Contracts shall, subject to Regulation 42(d), have effect so that:~~

~~the Clearing House and each Member party to each such Contract shall be released from their obligations to each other under each such Contract ("a discharged Contract") (except from their obligations under these Regulations including, without limitation, obligations with respect to any fees payable under the Regulations or to pay any daily settlement amounts in respect of one or more discharged Contracts or to transfer Collateral) and, without prejudice to the foregoing or to the claims of either the Clearing House or a Member arising out of or in relation to a discharged Contract;~~

~~the respective rights of the Clearing House and a Member against each other under a discharged Contract shall be cancelled and the discharged Contract shall be replaced simultaneously by a contract on the terms of the relevant Participating Exchange Contract between the persons specified in the relevant Member Link Agreement to which the Member party to a discharged Contract is a party and under which such discharged Contract was transferred.~~

(u) ~~Contracts other than option Contracts comprised in a Member's Day Position Balances shall be transferred at the settlement price for the delivery month of such Contracts established by the relevant Exchange. Such Contracts (other than option Contracts) shall be transferred at the official quotation for such delivery month if no such Settlement Price has been established. Contracts in the terms of a Linked Exchange Contract which do not form part of a Member's Day Position Balances shall, subject to paragraph to (e) below~~l~~.~~

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 7	<a href="#"><u>Non-Member Market Participant Status</u></a>
Regulation 9	<a href="#"><u>Service Withdrawal</u></a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	Presentation of Particulars and Confirmation of Contracts
0	Allocation of Original Exchange Contracts
0	Designation
0	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Premium under Option Contracts
0	Official Quotations and Reference Price
0	<b>Error! Not a valid result for table.</b>
0	Settlement and Revaluation: Clearing Processing System
0	Other Modes of Settlement and Revaluation

<i>Regulation</i>	<i>Title</i>
Regulation 26	Exercise of Options
0	Delivery Contract Arising upon the Exercise of an Option
0	Obligation to Make and Accept Tender under Cleared Exchange Contracts
0	Delivery Contracts
0	Open Contracts Subject to Tender
0	Arrangements for Delivery and Payment of Price
0	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
0	Interpretation of these Regulations

<i>Regulation</i>	<i>Title</i>
0	Waiver
0	Validity of Regulations and Action
0	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 53	LME Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

~~, be transferred at the price at which they were entered into and, unless paragraph (e) applies, no daily settlement amounts shall be payable in respect of such Contracts under the Regulations. Option Contracts comprised in a Member's Day Position Balance shall be transferred with effect that no premium shall be payable under contracts on the terms of the relevant Participating Exchange Contract which arise pursuant to Regulation 41(c)(ii), but without prejudice to the obligation of the buyer to pay the premium due under each discharged Contract.~~

~~If Regulation 44(a) applies, all Contracts (other than option Contracts) which are subsequently transferred pursuant to paragraph (c) above after the business day on which they were registered by the Clearing House shall, subject to paragraph (f) below, be transferred at the settlement price referred to in paragraph (d) above, or if no such settlement price has been established, at the official quotation referred to in paragraph (d) above, for the business day immediately preceding the business day on which such transfer is made. Option Contracts which are subsequently transferred pursuant to paragraph (c) above after the business day on which they were registered by the Clearing House shall, subject to paragraph (f) below, be transferred with effect that no premium shall be payable under contracts on the terms of the relevant Participating Exchange Contract which arise pursuant to Regulation 41(c)(ii), but without prejudice to the obligation of the buyer to pay the premium due under each discharged Contract.~~

~~If Contracts to be transferred pursuant to Regulation 41(c) have been entered into pursuant to the trade correction procedures, such Contracts may be transferred at a different price to the price specified in paragraph (e) above.~~

### ~~Transfer to the Clearing House of Participating Exchange Contracts~~

~~Each contract on the terms of a Participating Exchange Contract registered by a Participating Exchange in the name of a member of a Participating Exchange forming part of the member of the Participating Exchange's Day Position Balances shall, subject to Regulations 42 and 44, be transferred at the time or times and in the manner referred to in either or both of the Participating Exchange Rules of the relevant Participating Exchange and the applicable Member Link Agreement to which such member of the Participating Exchange is party and in accordance with any other procedures from time to time agreed between the Clearing House and the Participating Exchange and any Exchange party to the relevant Link. Notwithstanding the preceding sentence, such contracts on the terms of a Participating Exchange Contract may be transferred after such time or times if the Clearing House, the Participating Exchange, and any Exchange party to the relevant Link so agrees.~~

~~Upon the transfer of a contract referred to in paragraph (a) which is on the terms of a Participating Exchange Contract pursuant to a Member Link Agreement, the parties to such contract shall be released from their obligations to each other under such contract (except from those obligations which the Member Link Agreement and the relevant Participating Exchange Rules expressly state shall survive) (a "discharged contract") and, without prejudice to the provisions of the Participating Exchange Rules, their respective rights against each other shall be cancelled and the discharged contract shall be replaced simultaneously by a contract on the terms of the relevant exchange contract between the Clearing House and the Member party to such Member Link Agreement for the same number of lots and the same delivery month or expiry month and exercise price (as applicable) as the discharged contract. Such contract shall, upon its arising, be subject to the relevant Exchange Rules and the Regulations and shall not be subject to any Participating Exchange Rules and shall, upon registration pursuant to Regulation 9(f), become an open contract.~~

## Default Affecting Transfer

~~(i) If, prior to the transfer of Contracts on the terms of one or more Linked Exchange Contracts pursuant to Regulation 41(c), a Member becomes a defaulter or any other default related or other event specified in a relevant Member Link Agreement to which the Member is party occurs with respect to the Member (“the defaulting Member”); Contracts on the terms of one or more relevant Linked Exchange Contracts registered in the defaulting Member’s name with the Clearing House shall not be transferred pursuant to Regulation 41(c) if the terms of the relevant Member Link Agreement so provides.~~

~~Following the occurrence of any event referred to in sub paragraph (a)(i) above in respect of a Member, and if Contracts in the terms of the relevant Linked Exchange Contracts to which the defaulting Member is party cannot be transferred pursuant to Regulation 41(c), the Clearing House shall, without prejudice to the Default Rules or to paragraph (f) above, for the purposes of facilitating the transfer of Contracts under one or more Links pursuant to Regulation 41(c), either enter into Contracts (“Default Management Contracts”) as a principal with one or more Members (each “a Nominated Member”) who agrees to enter into such contracts which shall, in accordance with paragraph (c) of this Regulation 42, be in the terms of such Contracts on the terms of one or more relevant Linked Exchange Contracts which are or become registered in the defaulting Member’s name with the Clearing House or, if the terms of the relevant Link Agreement so requires, implement the provisions of Regulation 42(g).~~

~~(i) If, prior to the transfer of Contracts on the terms of one or more Linked Exchange Contracts pursuant to Regulation 41(c), the Clearing House becomes aware that a member of a Participating Exchange who is party to such Member Link Agreement with a Member (“affected Member”) has become a Defaulter (as defined in such Member Link Agreement) or any other default related or other event specified in such Member Link Agreement occurs with respect to the member of the Participating Exchange, Contracts on the terms of one or more relevant Linked Exchange Contracts registered in the name of an affected Member shall not be transferred under such Member Link Agreement or under any other relevant Member Link Agreement if the terms of any such agreement do not so permit and, pursuant to the terms of the relevant Link Agreement either the provisions of sub paragraph (ii) or Regulation 42(g) shall apply.~~

~~(ii) If, pursuant to sub paragraph (i) above, this sub paragraph (ii) applies, the Clearing House shall, for the purposes of facilitating the transfer of Contracts under a Link pursuant to Regulation 41(c), enter into Default Management Contracts with one or more Nominated Members who agree to enter into such Contracts, which shall in accordance with paragraph (c) of this Regulation 42 be on the terms of Contracts on the terms of one or more relevant Linked Exchange Contracts which are or become registered in the affected Member’s name.~~

~~Default Management Contracts entered into by the Clearing House pursuant to paragraph (a) or (b)(ii) above with one or more Nominated Members shall (in aggregate) be for the same number of lots as the number of lots of Contracts on the terms of one or more relevant Linked Exchange Contracts which remain open contracts after the Clearing House has taken steps (if any) pursuant to the Default Rules (or the relevant Exchange has taken steps (if any) under Exchange Rules) to achieve a discharge of the defaulter’s rights and liabilities under or in respect of such Contracts or, as the case may be, pursuant to~~

~~paragraph (f) below to achieve a discharge of the affected Member's Contracts and shall be assigned to such accounts of a Nominated Member as agreed between the Clearing House and the Nominated Member and, as applicable, shall be included in the Nominated Member's Day Position Balances or aggregated with the Contracts registered in the Nominated Member's accounts which do not form part of his Day Position Balances. Details of such Default Management Contracts shall be transmitted to the relevant Participating Exchange pursuant to Regulation 41(b).~~

~~Default Management Contracts entered into by the Clearing House pursuant to Regulation 42(a) or 42(b)(ii) with a Nominated Member shall be transferred pursuant to Regulation 41(e) and thereby discharged in accordance with the terms of any written agreement entered into between the Clearing House and the Nominated Member for the purposes of this Regulation 42 and upon such transfer, the Clearing House and the Nominated Member shall become party to new Contracts which shall be subject to the Regulations and in the same terms and for the same number of lots as the Default Management Contracts, as more particularly described in such agreement, save that the Clearing House, if a party to a Default Management Contract as a seller, shall be a buyer under a Contract to which the Clearing House becomes a party under this paragraph (d) and vice versa. Such new Contracts shall not be transferred pursuant to Regulation 41, but shall be performed in accordance with the Regulations and the terms of any written agreement to which the Clearing House and the Nominated Member is a party for the purposes of this Regulation 42.~~

~~Contracts on the terms of a Linked Exchange Contract to which a defaulter or an affected Member is a party and which cannot be transferred pursuant to Regulation 41(e) ("affected Contracts") shall remain subject to and shall be discharged in accordance with the Regulations.~~

~~Without prejudice to the Default Rules, the Clearing House shall have the right to take such action and by such means as the Clearing House in its absolute discretion determines to close-out, cash settle by invoicing back, transfer to another member pursuant to Regulation 11, or otherwise achieve a discharge of the affected Member's affected Contracts whether or not the affected Member is a defaulter.~~

~~If the terms of the applicable Link Agreement so require the Clearing House shall, following the occurrence of an event referred to in Regulation 42(a) in respect of a Member or in Regulation 42(b) in respect of a member of the relevant Participating Exchange, become party to one or more contracts (each a "Default Contract") with the Participating Exchange party to such Link Agreement which shall be on the same terms and for the same number of lots as the number of lots of the affected contracts which remain open contracts after the Clearing House has taken steps pursuant to the Default Rules or pursuant to paragraph (f) above with respect to such affected Contracts, except that each Default Contract shall be subject to the relevant Participating Exchange Rules and not subject to these Regulations or to the relevant Exchange Rules. The Clearing House shall have the right to take such action and by such means as the Clearing House in its absolute discretion determines to close-out, transfer or otherwise achieve the discharge of each Default Contract pursuant to the relevant Participating Exchange Rules or the terms of any agreement concluded between the Clearing House and such Participating Exchange and to close-out, transfer or otherwise achieve a discharge of the affected Contracts pursuant to the Default Rules or Regulation 42(f).~~

~~(i) If the terms of the relevant Link Agreement so require, following the occurrence of an event referred to in Regulation 42(a) in relation to a Member or in Regulation 42(b) in relation to a member of a Participating Exchange, contracts on the terms of one or more relevant Participating Exchange Contracts registered with the relevant Participating Exchange in the name of such member of the Participating Exchange or a member of the Participating Exchange party to a Member Link Agreement with the Member and which form part of such member of the Participating Exchange's day Position Balances shall not be transferred pursuant to Regulation 41A (b) and the Participating Exchange (as a Member of the Clearing House) shall become party to one or more open contracts (each a "Default Contract") with the Clearing House.~~

~~Each such Default contract shall be on the same terms and for the same number of lots as such contracts on the terms of each such Participating Exchange Contract, except that each Default Contract shall be subject to the Regulations and the relevant Exchange Rules and not subject to the relevant Participating Exchange Rules. The Participating Exchange shall have the right to take such action and by such means as the Participating Exchange in its absolute discretion determines to close out, transfer or otherwise achieve the discharge of each Default Contract pursuant to the Regulations or the terms of any agreement concluded between the Clearing House and the relevant Participating Exchange, provided that, without prejudice to the Default Rules, the Clearing House shall also have the right to take such action and by such means as the Clearing House in its absolute discretion determines to close out, transfer to another Member pursuant to Regulation 11, or (if they cannot be so transferred) otherwise achieve a discharge of each such Default Contract, and may take such action whether or not the Participating Exchange is a defaulter.~~



## Collateral

~~Without prejudice to the provisions of Regulation 9(b) or Regulation 12, the Procedures or any agreement entered into between the Clearing House and a Member with respect to Collateral transferred or to be transferred by such Member to the Clearing House, the Clearing House shall be entitled to require a Member to transfer Collateral to the Clearing House in an amount determined by the Clearing House as a condition of the Clearing House agreeing to register original contracts on the terms of a Linked Exchange Contract in the name of the Member and to ensure that the Clearing House holds sufficient Collateral at all times, in an amount or amounts determined by the Clearing House, as security for the performance by such Member of his obligations to the Clearing House in respect of such original contracts to be registered or Contracts registered with the Clearing House. In addition, the Clearing House shall be entitled to demand Collateral in a form and in an amount determined by the Clearing House from a Member as a condition of the Clearing House agreeing to take any steps pursuant to any trade correction procedures.~~

## Impossibility of Transfer

~~If it is not possible for any reason (other than for a reason referred to in Regulation 42) (including, without limitation, as a result of any action taken by an Exchange pursuant to Exchange Rules or, as a result of the act of a government or a Regulatory Body or any change in applicable law or as a result of the failure of any systems, communication facilities or other technology) for details of open contracts on the terms of a Linked Exchange Contract to be transmitted on a day pursuant to Regulation 41(b), or for the relevant Participating Exchange to receive such details or to despatch a confirmation as referred to in Regulation 41(c), so that such Contracts cannot be transferred pursuant to Regulation 41(c) on the business day on which such Contracts were registered by the Clearing House, such Contracts shall remain registered with the Clearing House and subject to the Regulations and Procedures. Details of such Contracts which remain as open contracts shall be transmitted to the relevant Participating Exchange pursuant to Regulation 41(b) on the next day on which such Contracts are permitted to be transferred under the Link entered into with the relevant Participating Exchange and on which it is possible for details of such Contracts to be transmitted.~~

~~If it is not possible for any reason other than for a reason referred to in Regulation 42 (including, without limitation, as a result of any action taken by an Exchange or a Participating Exchange pursuant to Exchange Rules or Participating Exchange Rules (as the case may be), or as a result of the act of a government or a Regulatory Body or any change in applicable law or a result of the failure of any systems, communication facilities or other technology) for contracts on the terms of a Participating Exchange Contract to be transferred pursuant to Regulation 41A on the day on which such contracts were registered by the Participating Exchange, such contracts shall remain registered with the Participating Exchange and subject to its Participating Exchange Rules. Such contracts shall be transferred to the Clearing House pursuant to Regulation 41A on the next day on which such contracts are permitted to be so transferred under the Link Agreement entered into with the relevant Participating Exchange and on which it is possible to do so.~~

~~If the Link entered into with a Participating Exchange is suspended for an indefinite period or terminated, Contracts which have not been transferred pursuant to Regulation 41(c) shall remain registered with the Clearing House and subject to the Regulations and shall be performed in accordance with their terms or may be closed out or otherwise discharged in accordance with the Regulations or the relevant Exchange Rules.~~

## ~~Cross-Margining Regulations~~

~~A Member who is a Cross-Margining Participant shall indemnify and hold harmless the Clearing House against all amounts which are or may become due and payable by the Clearing House to a Cross-Margining Exchange pursuant to a Cross-Margining Agreement entered into between the Clearing House and the Cross-Margining Exchange (amongst other parties, as the case may be) to which the Member is also a party or is bound by agreement with the Clearing House and the Cross-Margining Exchange.~~

~~A Member shall pay on demand any amount or amounts which the Clearing House claims from the Member pursuant to the indemnity contained in Regulation 45(a). Any amount or amounts so demanded shall be conclusive and binding on the Member.~~

~~In the event of any conflict between the terms of the indemnity contained in paragraph (a) above and the terms of any indemnity, reimbursement obligation or like obligation to which the Member is bound by the terms of a Cross-Margining Agreement, the terms of the indemnity in Regulation 45(a) shall prevail.~~

## CHAPTER XIV – SWAPCLEAR REGULATIONS

### **Regulation 46** REGULATION 54 APPLICATION OF SWAPCLEAR REGULATIONS

(a) ~~These~~ The Clearing House shall provide the SwapClear Service subject to and in accordance with the terms of these SwapClear Regulations, ~~which form part of~~ and the Procedures.

SwapClear Clearing Members shall be bound by these SwapClear Regulations, ~~together with the Regulations referred to in paragraph.~~ Applications to become a SwapClear Clearing Member shall be made in accordance with ~~(b) Regulation 54 apply to SwapClear Contracts, SwapClear Clearing Members and, insofar as relevant, to SwapClear Dealers.~~

(b) ~~(d) and (e).~~ Other than as expressly specified in this Regulation 54, the remainder of the Regulations shall not apply to the SwapClear Service. A summary table of those Regulations which apply to the SwapClear Service as described in Regulation 54(a) to (p) is provided at Regulation 54(q).

(c) Regulation 2 and Regulation 3 of the Regulations apply to the SwapClear Service.

#### SwapClear Clearing Membership

(d) A Clearing Member may apply to become a SwapClear Clearing Member in accordance with the Procedures.

(e) Regulation 4 applies to membership of the SwapClear Service and applications for such membership.

(f) Regulation 5 applies to a SwapClear Clearing Member.

#### Accounts

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

#### Client Clearing

(h) Regulation 11 applies to those SwapClear Clearing Members who provide (or wish to provide) Client Clearing Services.

#### Formation, registration and transfers of SwapClear Contracts

(i) Regulation 16(b), Regulation 16(c), Regulation 17 and Regulation 55 apply to the registration and formation of a SwapClear Contract.

(j) Regulation 60 (and, insofar as relevant, Regulation 12(b)) apply to a SwapClear Contract that is an open contract.

(k) Regulation 54 to Regulation 60 apply to the SwapClear Service.

#### Margin and Collateral

(l) Regulation 20 applies to a SwapClear Clearing Member.

### Reference prices and Revaluation

(m) Regulation 22 applies to open SwapClear Contracts.

### Other Applicable Regulations

(n) Regulation 37 to Regulation 46 inclusive apply to SwapClear Clearing Members and SwapClear Contracts.

### Default Rules

~~(b)(o) The Default Rules (including the SwapClear DMP Annex), Default Fund Rules, the definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (c), 10, 11, 12, 14, 16, 26 to 39B inclusive (other than Regulation 35(a) and Regulation 37(b)) of the General Regulations apply to SwapClear Contracts,)~~ apply to SwapClear Clearing Members and, insofar as relevant, to SwapClear Dealers Contracts.

### Clearing House Settlement Finality Regulations

(p) The Clearing House Settlement Finality Regulations apply in relation to SwapClear Clearing Members and SwapClear Contracts.

### Summary table of Regulations which apply to the SwapClear Service

(q) The Regulations listed in this Regulation 54(q) apply to the SwapClear Service as described under Regulation 54(a) to (p).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 8	<u>Dealer Status</u>
Regulation 9	<u>Service Withdrawal</u>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	Designation
0(b) and (c)	Registration

<i>Regulation</i>	<i>Title</i>
Regulation 17	Trading Information
Regulation 20	Margin and Collateral
0	Official Quotations and Reference Price
0	<b>Error! Not a valid result for table.</b>
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
0(b)	Interpretation of these Regulations
0	Waiver
0(a)	Validity of Regulations and Action
0	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 54 to Regulation 60	SwapClear Regulations
Default Rules	Default Rules (including SwapClear DMP Annex)
Settlement Finality Regulations	Settlement Finality Regulations



**Regulation 47** **REGULATION 55** **REGISTRATION OF SWAPCLEAR CONTRACTS**

- (a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts or one SwapClear Contract, and one FCM SwapClear Contract (in accordance with the other provisions of the Rulebook).
- (b) Once a SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section ~~2C3.21.3~~ (Registration) of Procedure 2C (the ~~Procedures~~ SwapClear Service) request the consent of each of the relevant SwapClear Clearing Members with whom a SwapClear Contract shall be registered as a result thereof to such registration. Upon each such SwapClear Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) A SwapClear Clearing Member which has been nominated to clear the SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer will (only where such SwapClear Transaction is not a US Trading Venue Transaction) be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contract(s) resulting from such SwapClear Transaction. In circumstances where (i) a SwapClear Clearing Member is an Executing Party in relation to a SwapClear Transaction and shall clear one of the SwapClear Contracts resulting from such SwapClear Transaction; or (ii) or a SwapClear Transaction is a US Trading Venue Transaction, the consent of that SwapClear Clearing Member to the registration of the relevant SwapClear Transaction will occur automatically and without the need for any further action by such SwapClear Clearing Member.
- (d) The Clearing House shall register or reject the registration of a SwapClear Contract in respect of a SwapClear Transaction presented for registration subject to, and in accordance with, these Regulations and ~~the~~ Procedures as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations), **provided that**:
- (i) both sides of the relevant SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of the) the Executing Parties;
- (ii) the relevant SwapClear Transaction meets the eligibility criteria as prescribed ~~in~~ on the ~~Rulebook~~ Clearing House's website at the time the particulars of the SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
- (iii) such SwapClear Contract is consented to by the relevant SwapClear Clearing Member (to the extent such consent is required) in accordance with paragraph (c) above and Section 2C3.2 of the Procedures;
- (iv) the applicable SwapClear Clearing Member has transferred, upon request of the Clearing House and in accordance with ~~Regulation 12~~ Regulation 20 and such other applicable provisions of the Rulebook, all required Collateral ~~required~~ in respect of such SwapClear Contract prior to registration (taking into account any available MER and/or SwapClear Tolerance, if any); provided that such Collateral need not be



transferred prior to registration as a condition to the registration of such SwapClear Contract unless such SwapClear Contract results from a SwapClear Transaction that is a Block IRS Trade;

(v) all the conditions applicable (under the terms of the Rulebook or the FCM Rulebook, as the case may be) for the registration of the other SwapClear Contract or the FCM SwapClear Contract (as the case may be) deriving ~~from~~ the relevant SwapClear Transaction have been satisfied.

~~(vi)~~(e) From the time of registration by the Clearing House of two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be) (the ~~“Registration Time”~~) in respect of a SwapClear Transaction in accordance with the Procedures:

~~(A)~~(i) where both of the Executing Parties in respect of such SwapClear Transaction are SwapClear Member(s) and/or SwapClear Dealer(s), those Executing Parties shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time and, in all other cases, the rights and obligations of the Executing Parties to the SwapClear Transaction shall be governed by the applicable Execution Terms, or as otherwise agreed by such Executing Parties; and

~~(B)~~(ii) the relevant SwapClear Clearing Member(s) will be deemed to be and will be bound by the SwapClear Contract(s) with the Clearing House automatically and without any further action on its part, on terms that, without limitation, incorporate all applicable terms of the Rulebook ~~and the Schedule to these SwapClear Regulations~~ (including the SwapClear Contract Terms applicable to the relevant SwapClear Contract).

~~(e)~~(f) The Economic Terms shall be such that: (A) a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate X and receiving (or clearing on behalf of a person receiving) Rate Y under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this sub-paragraph ~~(e)~~(f) and (B) a SwapClear Clearing Member paying (or clearing on behalf of a person paying) Rate Y and receiving (or clearing on behalf of a person receiving) Rate X under a SwapClear Transaction shall have such rights against, and owe such obligations to, the Clearing House under the corresponding SwapClear Contract registered by it in respect of such SwapClear Transaction as further provided for in the final paragraph of this sub-paragraph ~~(e)~~(f).

In this sub-paragraph ~~(e)~~(f), a reference to the ~~“rights”~~ and ~~“obligations”~~ is a reference to rights and obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations set out in the Economic Terms of the corresponding SwapClear Transaction (it being assumed, for this purpose, that such SwapClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms. In this sub-paragraph ~~(e)~~(f), a reference to ~~“paying”~~

means either paying under a SwapClear Transaction that is an existing swap transaction or “agreeing to pay” under a SwapClear Transaction that is contingent on clearing.

~~(f)~~(g) If at any time after registration of a SwapClear Contract, the Clearing House determines that the corresponding SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the SwapClear ~~Product~~-Eligibility Criteria in existence at the Registration Time (an “Ineligible SwapClear Transaction”), the Clearing House shall, immediately set aside both SwapClear Contracts (or, in the case of a SwapClear Transaction that resulted in a SwapClear Contract and an FCM SwapClear Contract, such SwapClear Contract) arising from such Ineligible SwapClear Transaction. Upon a SwapClear Contract (an “Ineligible SwapClear Contract”) being set aside under this paragraph ~~(h)~~(g): (1) the Clearing House will notify the SwapClear Clearing Member party to such Ineligible SwapClear Contract via the Approved Trade Source System through which details of the relevant Ineligible SwapClear Transaction were originally presented to the Clearing House that such Ineligible SwapClear Contract has been set aside; and (2) such Ineligible SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible SwapClear Contract is set aside pursuant to this paragraph ~~(h)~~(g), all payments (including, without limitation, variation margin) (if any) paid by the Clearing House or by a SwapClear Clearing Member in respect of such ~~Ineligible~~ SwapClear Contract up to and including the time when such Ineligible SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Any other payment obligations in respect of an Ineligible SwapClear Contract and/or the relevant Ineligible SwapClear Transaction shall be as agreed between the Executing Parties to such Ineligible SwapClear Transaction and shall not be paid by or to the Clearing House.

~~(g)~~(h) Notwithstanding anything to the contrary in this Rulebook, the Clearing House may decline to register a SwapClear Transaction as a SwapClear Contract or a SwapClear Contract and a FCM SwapClear Contract (as the case may be) where it considers such action advisable for its own protection or the protection of the relevant market; **provided that** the Clearing House may (subject to the provisions of the Rulebook) register any SwapClear Contract which reduces the risk exposure of the Clearing House and the applicable SwapClear Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, subject to sub-paragraph ~~(d)~~(d) above and without assigning any reason, make the registration of any SwapClear Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the transfer to the Clearing House of additional Collateral by any SwapClear Clearing Member in whose name any such SwapClear Transaction is to be registered.

~~(h)~~(i) Any SwapClear Transaction of which details have been presented for registration and which are not so registered will be governed by the applicable Execution Terms among the relevant parties, and the Clearing House shall have no obligations or liability in relation thereto.

~~(i)~~(j) If a SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration such revocation, avoidance or invalidity shall not affect any SwapClear Contract arising under this ~~Regulation 47, Regulation 3(b) or Regulation 11.~~Regulation 55, Regulation 12(b) or Regulation 18.

In the case of a SwapClear 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 ~~Regulation 47~~[Regulation 55](#) shall take effect.

## ~~Regulation 48~~ REGULATION 56 COMPRESSION

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

- (i) one or more SwapClear Contracts registered by a SwapClear Clearing Member in accordance with the Rulebook has substantially the same Economic Terms as one or more other SwapClear Contracts registered for the account of such SwapClear Clearing Member, and
- (ii) all such SwapClear Contracts are either (a) registered on the SwapClear Clearing Member's own behalf or (b) registered on behalf of the same SwapClear Clearing Client ~~(whether in an Omnibus Net Segregated Account or an Individual Segregated Account),~~<sup>2</sup>

then, to the extent permitted in the Procedures and this ~~Regulation 48~~, Regulation 56, the SwapClear Clearing Member may request that the Clearing House compress and combine all such SwapClear Contracts by terminating the relevant existing SwapClear Contracts and compressing them into one SwapClear Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of such original SwapClear Contracts. ~~SwapClear Contracts registered on a SwapClear Clearing Member's own behalf can only be compressed pursuant to this Regulation 48 if they are derived from the registration of a SwapClear Transaction which relates to SwapClear Clearing Client Business.~~ For the avoidance of doubt, in no circumstances can a SwapClear Contract registered in the Proprietary Account of a SwapClear Clearing Member be compressed pursuant to this ~~Regulation 48~~ Regulation 56 with a SwapClear Contract registered in the ~~client account~~ Client Account of that SwapClear Clearing Member.

~~(e)~~ (b) For purposes of ~~this Regulation 48~~ paragraph (a) above, two or more SwapClear Contracts may be deemed by the Clearing House to have "substantially the same Economic Terms"<sup>22</sup> if they are based on the same underlying currencies and the Clearing House considers them, in its sole discretion, to have substantially the same fundamental economic attributes which influence the amount, value date and direction of all coupon cash flows. Two or more SwapClear Contracts that are compressed under the terms of this ~~Regulation 48~~ paragraph and paragraph (a) above shall be aggregated if the position of the SwapClear Clearing Member is in the same direction on each such SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated), such that the SwapClear Contract that replaces the compressed SwapClear Contracts shall have a notional amount equal to the total notional amount of the compressed SwapClear Contracts. Two or more SwapClear Contracts that are compressed under the terms of this ~~Regulation 48~~ paragraph and paragraph (a) above shall be netted if the position of the SwapClear Clearing Member is in the opposite direction on two or more of each such SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment), such that the SwapClear Contract (if any) that replaces the compressed SwapClear Contracts shall have a notional amount equal to the net notional amount of the compressed SwapClear Contracts and **provided that** in the event that the net notional amount is equal to zero such compression shall result in no replacement SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether SwapClear Contracts that are the subject of a request for compression from the SwapClear Clearing Member may be compressed and, if such SwapClear Contracts are compressed, the Clearing House shall determine the resulting notional amount of the SwapClear Contract(s) (if any) that replaces the compressed SwapClear Contracts, and such determination shall be binding on the SwapClear Clearing

Member, absent manifest error. It is a condition for compression of SwapClear Contracts that the amount of Collateral that the Clearing House requires in respect of the original SwapClear Contracts is equal to that which is required by the Clearing House in respect of the replacement SwapClear Contract(s).

[RESERVED]

## ~~Multilateral Compression~~

~~(a)~~(c) ~~The~~In addition, the Clearing House may, from time to time in its absolute discretion, make available in accordance with this ~~Regulation 48B~~,Regulation 56, Multilateral Compression on the basis of a Multilateral Compression Cycle which is either:

(i) an ACSP Compression Cycle, available to SwapClear Clearing Members; or

(ii) a Member Compression Cycle, where so requested by two or more SwapClear Clearing Members and agreed to by the Clearing House.

~~(b)~~(d) In participating in any Multilateral Compression Cycle, a SwapClear Clearing Member:

(i) must be party to relevant Compression Documentation with the Clearing House and/or any nominated ACSP at such time as is contemplated in the Compression Documentation and from such time up to and including the Compression Time for that Multilateral Compression Cycle and at all relevant times must be accepted by the Clearing House and/or any nominated ACSP as an entity eligible to participate in such Multilateral Compression Cycle;

(ii) in relation to an ACSP Compression Cycle, shall nominate those SwapClear Contracts which it wishes to make available for Multilateral Compression in accordance with the relevant Compression Documentation;

(iii) in relation to a Member Compression Cycle, shall together with the other requesting SwapClear Clearing Member(s) provide to the Clearing House details of the proposed Terminating SwapClear Contracts and Post-Multilateral Compression Contracts (in such form as the Clearing House may require from time to time) which shall, subject to the Clearing House's confirmation, constitute the Compression Proposal;

(iv) warrants and represents to the Clearing House that the terms of its participation in the proposed Multilateral Compression Cycle are in compliance with all applicable laws and regulation; and

(v) agrees and acknowledges that the Multilateral Compression Cycle will operate, and Multilateral Compression shall take place, in accordance with this ~~Regulation 48B~~,Regulation 56, the relevant Compression Proposal as accepted by such SwapClear Clearing Member, relevant Compression Documentation and such other processes and procedures as may be notified by the Clearing House from time to time.

~~(e)~~(e) Where the Clearing House intends to run an ACSP Compression Cycle, it shall nominate an ACSP to facilitate that ACSP Compression Cycle and produce the Compression Proposal. Such ACSP shall notify SwapClear Clearing Members meeting the criteria at ~~(b)~~(i)~~(d)~~(i) above of the timing and procedure for such ACSP Compression Cycle and invite such SwapClear Clearing Members to confirm their interest. The Compression Documentation for such Multilateral Compression Cycle shall include any documentation relevant to that ACSP. Additional information on the administrative procedures for any Multilateral Compression Cycle may be included in the Compression Documentation or other

procedures published by the Clearing House or a nominated ACSP from time to time or in connection with a particular Multilateral Compression Cycle.

~~(d)~~(f) In any Multilateral Compression Cycle, Multilateral Compression shall only take place in accordance with the terms of a Compression Proposal which has been established and accepted by all participating SwapClear Clearing Members in accordance with this ~~Regulation 48B~~Regulation 56. Notwithstanding the other provisions of this ~~Regulation 48B~~Regulation 56, the Clearing House shall determine (in its sole discretion) whether SwapClear Contracts proposed for inclusion in a Compression Proposal may be so included.

~~(e)~~(g) A Compression Proposal shall:

(i) in relation to an ACSP Compression Cycle, be generated by the nominated ACSP in accordance with the relevant Compression Documentation and details submitted to the ACSP by participating SwapClear Clearing Members, and be communicated by the ACSP to each participating SwapClear Clearing Member in the manner contemplated in the relevant Compression Documentation for acceptance;

(ii) in relation to a Member Compression Cycle, be constituted by the details submitted to the Clearing House by the requesting SwapClear Clearing Members (subject to the Clearing House's determination that such proposed details are eligible for Multilateral Compression), and shall form the basis for the subsequent acceptance by each requesting SwapClear Clearing Member; and

(iii) in all cases include only those SwapClear Contracts that are eligible for Multilateral Compression in the relevant Multilateral Compression Cycle and that are registered in a SwapClear Clearing Member's Proprietary Account.

~~(h)~~(h) Where it wishes to participate in a Multilateral Compression Cycle, each participating SwapClear Clearing Member shall confirm its acceptance of a Compression Proposal in the manner and by the time specified by the Clearing House or otherwise contemplated in the relevant Compression Documentation. In relation to an ACSP Compression Cycle, each participating SwapClear Clearing Member agrees and acknowledges that the ACSP's confirmation to the Clearing House that such SwapClear Clearing Member has confirmed its acceptance of the Compression Proposal to the ACSP shall constitute a binding acceptance by such SwapClear Clearing Member to the Clearing House for the purposes of this ~~Regulation 48B~~Regulation 56. Upon a SwapClear Clearing Member's acceptance of a Compression Proposal in accordance with this paragraph, such SwapClear Clearing Member shall be irrevocably bound to the terms of that Compression Proposal and the Multilateral Compression contemplated thereunder.

~~(g)~~(i) The Clearing House may require margin, subsequent to a SwapClear Clearing Member's acceptance of a Compression Proposal but prior to the Compression Time, in connection with the Multilateral Compression Cycle and the SwapClear Clearing Member's positions thereunder.

~~(h)~~(j) Each SwapClear Clearing Member that confirms its acceptance of a Compression Proposal in accordance with relevant Compression Documentation agrees and acknowledges for the benefit of the Clearing House that, by its acceptance, such SwapClear Clearing Member:



- (i) shall be bound by and act in accordance with the terms of this ~~Regulation 48B~~, Regulation 56, the Compression Documentation and any notifications made by the Clearing House or any nominated ACSP pursuant thereto;
- (ii) shall meet any margin calls from the Clearing House made prior to the Compression Time in connection with the Multilateral Compression Cycle. Any such margin will be called in accordance with the Procedures; and
- (iii) is bound by the terms of the Compression Proposal and the terminations and registrations of SwapClear Contracts comprised therein.
- ~~(k)~~ (k) Following acceptance of the Compression Proposal by all participating SwapClear Clearing Members, the Clearing House shall effect Multilateral Compression at such time as it may determine. For the avoidance of doubt, the irrevocable acceptance of a Compression Proposal by participating SwapClear Clearing Members shall not bind or require the Clearing House to proceed with a Multilateral Compression Cycle. At any time prior to the Compression Time, the Clearing House may, in its sole and absolute discretion, decide not to proceed with a Multilateral Compression Cycle.
- ~~(l)~~ (l) Without prejudice to the rights of the Clearing House set out in ~~Regulation 48B(i)~~ paragraph (k) above, a Compression Proposal shall be rejected by the Clearing House if:
- (i) a SwapClear Clearing Member which has accepted a Compression Proposal is not eligible to participate in the relevant Multilateral Compression Cycle;
- (ii) any of the SwapClear Contracts included as a Post-Multilateral Compression Contract or a Terminating SwapClear Contract are not eligible for such Multilateral Compression Cycle;
- (iii) in relation to a Member Compression Cycle, the proposals submitted by the relevant SwapClear Clearing Members do not match; or
- (iv) any SwapClear Clearing Member due to participate in a Multilateral Compression Cycle rejects the Compression Proposal or does not provide the margin as required by the Clearing House.
- ~~(m)~~ (m) When the Clearing House effects a Multilateral Compression, it shall terminate all Terminating SwapClear Contracts and, simultaneously with and contingent upon the termination of such SwapClear Contracts, shall register the Post-Multilateral Compression Contracts in the Proprietary Accounts of the relevant SwapClear Clearing Members.— The Clearing House shall notify the participating SwapClear Clearing Members once the Multilateral Compression has been effected.
- ~~(n)~~ (n) The Clearing House shall have no involvement in and accepts no responsibility or liability in relation to any Multilateral Compression-related balancing, termination or ancillary payments or fees that participating SwapClear Clearing Members may agree between themselves in accordance with relevant Compression Documentation or otherwise.
- ~~(o)~~ (o) Without prejudice to any other provisions of these Regulations, in particular ~~Regulation 39~~, Regulation 45, or any Compression Documentation, neither the Clearing House, nor any other member of LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person in contract, tort (including, without limitation,

negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a SwapClear Clearing Member or any other person, as the case may be:

(i) as a result of any action the Clearing House takes under this ~~Regulation 48B~~, Regulation 56, whether in accordance with a Compression Proposal, in reliance on information provided by SwapClear Clearing Members or any ACSP or otherwise;

(ii) in relation to an ACSP Compression Cycle, as a result of any action or omission of an ACSP, including, without limitation, any error or omission in the terms of any Compression Proposal; or

(iii) in relation to any Multilateral Compression Cycle, as a result of any action or omission of a participating SwapClear Clearing Member, including, without limitation, any error or omission in the terms of any Compression Proposal.

~~(p)~~(p) An ACSP's liability in respect of its acts or omissions is subject to the relevant terms of the applicable Compression Documentation.

~~(q)~~(q) Any notification or communication required in connection with a Multilateral Compression Cycle shall be made in accordance with the Compression Documentation or, if not specified in the Compression Documentation, the Procedures or such other guidance as the Clearing House may provide from time to time.

~~(r)~~(r) Notwithstanding any other provision of these Regulations or the terms of the SwapClear Contracts, the Clearing House may disclose details of any Compression Proposal and related details of SwapClear Clearing Members to any ACSP or otherwise as the Clearing House considers appropriate in order to facilitate a Multilateral Compression Cycle.

## SwapClear Dealers

~~Application for admission to the Register of SwapClear Dealers shall be made in accordance with these Regulations and the Procedures. An applicant for admission to the Register of SwapClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of SwapClear Dealers. A SwapClear Dealer shall be subject to, and governed by, these Regulations, the Procedures and, if applicable, the SwapClear Dealer Clearing Agreement to which it is for the time being party.~~

~~A person admitted to the Register of SwapClear Dealers shall ensure that it will, at all times, satisfy the criteria prescribed by the Clearing House, from time to time, for admission to the Register.~~

~~The Clearing House may suspend or remove a SwapClear Dealer from the Register of SwapClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the SwapClear Dealer Clearing Agreement to which it is for the time being party. Any person who has been suspended from the Register of SwapClear Dealers for a period of more than three months shall be removed from the Register of SwapClear Dealers and must make a new application if it wishes to be readmitted to the Register.~~

~~A SwapClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of SwapClear Dealers. At the end of such notice period, the Clearing House shall remove the SwapClear Dealer from the Register of SwapClear Dealers.~~

~~A SwapClear Dealer's suspension or removal from the Register of SwapClear Dealers, under paragraph (e), shall not, where it is a Member, affect its membership of the Clearing House, nor, subject to any contrary determination by the Clearing House under Regulation 4(aa), shall it affect the categories of Contract which such a person is eligible to have registered in its name.~~

~~Where a SwapClear Clearing Member is also a SwapClear Dealer it shall, automatically on the Clearing House serving a default notice in accordance with these Regulations be, removed from the Register of SwapClear Dealers.~~

~~Without prejudice to paragraph (f) of this Regulation, the Clearing House shall suspend from the Register of SwapClear Dealers any Member whose Clearing Membership Agreement has been terminated or who is no longer eligible to have SwapClear Contracts registered in its name, and who is not, from the date of such termination or such ineligibility, party to a SwapClear Dealer Clearing Agreement with another SwapClear Clearing Member, for such period as the Clearing House may determine.~~

~~Regulation 50~~**REGULATION 57** COLLATERALISATION OF SWAPCLEAR CONTRACTS

(a) The net present value of each SwapClear Contract shall be calculated by the Clearing House for the purposes of determining required variation margin in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be called in question.

(b) The Clearing House shall, at least daily:

(i) where the net present value of an outstanding SwapClear Contract has moved in favour of the Clearing House since the last valuation, call on the SwapClear Clearing Member to transfer to the Clearing House cash in an amount equal to (A) the net present value to the Clearing House of the relevant SwapClear Contract minus (B) the current balance of cash Collateral provided to the Clearing House by such SwapClear Clearing Member in respect of its variation margin obligations in respect of that SwapClear Contract; and

(ii) ~~(ii)~~ where the net present value of an outstanding SwapClear Contract has moved in favour of the SwapClear Clearing Member since the last valuation, transfer to the SwapClear Clearing Member cash in an amount equal to (A) the net present value to the SwapClear Clearing Member of the relevant SwapClear Contract minus (B) the current balance of cash Collateral provided to such SwapClear Clearing Member by the Clearing House in respect of its variation margin obligations in respect of that SwapClear Contract,

provided that:

(iii) (A) and/or (B), as used in sub-paragraphs (i) and (ii) above, may be negative numbers where the net present value of a SwapClear Contract has moved in favour of the party that was "out of the money" at the time of the preceding valuation;

(iv) any time the calculation provided for in this ~~Regulation 50(b)~~Regulation 57(b) is performed for the first time in respect of any particular SwapClear Contract that SwapClear Contract shall for the purpose of sub-paragraphs (i) and (ii) above be deemed to have had a net present value of zero at the time of the preceding valuation; and

(v) the calculations under this ~~Regulation 50(b)~~Regulation 57(b) shall disregard any amount previously determined to be payable by one party to the other pursuant to ~~Regulation 50(d)~~Regulation 57(d) but which has not yet been so transferred.

(c) Cash provided by the Clearing House or a SwapClear Clearing Member under ~~Regulation 50(b)~~Regulation 57(b) is provided by way of title transfer and, other than where the provision of cash reduces a party's current balance of cash Collateral, for the purpose of collateralising the relevant party's obligations under the relevant SwapClear Contract(s).

(d) In respect of all SwapClear Contracts, on every Business Day<sup>57.2</sup> the Clearing House shall aggregate:

(i) the sums which would otherwise have been payable by the SwapClear Clearing Member to the Clearing House as cash Collateral (in respect of variation margin obligations) on such date, any coupon payments which would otherwise have been due on that date from the SwapClear Clearing Member to the Clearing House and any other sums which would otherwise have been payable by the SwapClear Clearing Member to the Clearing House on such date (including, for the avoidance of doubt, any amounts due in respect of an obligation to return cash Collateral and any settlement amounts payable under a SwapClear Contract); and

(ii) the sums which would otherwise have been payable by the Clearing House to the SwapClear Clearing Member as cash Collateral (in respect of variation margin obligations) on such date, any coupon payments which would otherwise have been due on that date from the Clearing House to the SwapClear Clearing Member and any other sums which would otherwise have been payable by the Clearing House to the SwapClear Clearing Member on such date (including, for the avoidance of doubt, any amounts due in respect of an obligation to return cash Collateral and any settlement amounts payable under a SwapClear Contract),

(in each case which are payable in the same currency and which are payable in respect of the same ~~client account~~ Client Account or the same Proprietary Account), and all such sums shall be automatically satisfied and discharged and only the excess of the larger aggregate amount over the smaller aggregate amount shall be payable by the party by whom the larger aggregate amount would otherwise have been payable.

(e) The parties acknowledge that effect of ~~Regulation 50(d)~~ Regulation 57(d) is that any settlement payment obligation of a Clearing Member (or of the Clearing House) under a SwapClear Contract and any obligation of the Clearing House's (or of the Clearing Member) on the date of such settlement to return same-currency cash Collateral provided to it by way of variation margin in respect of that SwapClear Contract will be netted against each other, with only the balance being payable in accordance with ~~Regulation 50(d)~~ Regulation 57(d).

**~~Regulation 54~~ REGULATION 58 THE RESET RATE FOR, AND THE NET PRESENT VALUE OF, A SWAPCLEAR CONTRACT**

The Clearing House may determine the reset rate for, and the net present value of, a SwapClear Contract for the purposes of these Regulations and the Procedures in such manner and at such times as may be prescribed in the Procedures. Except as prescribed in the Procedures, neither the reset rate nor the net present value determined by the Clearing House may in any circumstances be challenged.

## ~~Withdrawal of the SwapClear Service by the Clearing House~~

~~If at any time the Clearing House decides to withdraw the SwapClear Service it shall give not less than six months' notice in accordance with the Procedures to all SwapClear Dealers and SwapClear Clearing Members of the date on which the service will be withdrawn ("the SwapClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non receipt of notice under this Regulation by, a one or more SwapClear Dealers or SwapClear Clearing Members shall not invalidate the SwapClear Withdrawal Date.~~

~~Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register a SwapClear Contract, other than a closing out contract after notice to withdraw the service has been given under Regulation 52(a).~~

~~If, at the SwapClear Withdrawal Date, a SwapClear Clearing Member has not closed out all open SwapClear Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:~~

~~liquidate any or all of such SwapClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and~~

~~postpone the SwapClear Withdrawal Date until such time as the Clearing House determines.~~

## ~~SwapClear Clearing Client Business~~

~~SwapClear clearing is a service provided by the Clearing House to SwapClear Clearing Members. Any Clearing Member who wishes to offer SwapClear Clearing Services to its clients shall apply to the Clearing House and obtain the approval of the Clearing House before first offering such services. Any SwapClear related services which are offered by a Clearing Member prior to obtaining the approval of the Clearing House shall not be treated as SwapClear Clearing Services and the clients of the Clearing Member receiving such services shall not be treated as SwapClear Clearing Clients.~~

~~Subject to the provisions of these Regulations, SwapClear Clearing Services may be provided by a SwapClear Clearing Member to its SwapClear Clearing Clients on whatever terms the SwapClear Clearing Member decides should apply provided, however, that:~~

~~each SwapClear Clearing Member shall, before providing SwapClear Clearing Services to any client, ensure that it has entered into an agreement with that client which gives the Clearing House enforceable rights against that client in the terms of the Clearing House Prescribed Language and any such other provisions as shall be agreed from time to time between the Clearing House and SwapClear Clearing Members;~~

~~SwapClear Contracts entered into by the SwapClear Clearing Member in respect of SwapClear Clearing Client Business, and collateral provided to the Clearing House in respect of SwapClear Clearing Client Business, shall always be separately identified by the SwapClear Clearing Member to the Clearing House and, subject to the provisions of rule 8(d) of the Default Rules, shall never be combined with SwapClear Clearing House Business or collateral provided to the Clearing House in respect thereof;~~

~~in no circumstances will the client money protections provided for by the Client Assets sourcebook of the Handbook published by The Financial Services Authority be available from, or offered by, a SwapClear Clearing Member in relation to monies held in accounts opened by it with the Clearing House in respect of SwapClear Clearing Client Business; and~~

~~each SwapClear Clearing Member shall, before providing SwapClear Clearing Services to any SwapClear Clearing Client ensure that the SwapClear Clearing Client has been provided with or has been directed to a copy of the SwapClear Clearing End User Notice and confirm to the Clearing House in writing that it has done so.~~

~~SwapClear Clearing Services may be provided by a SwapClear Clearing Member to its SwapClear Clearing Clients, and SwapClear Contracts may be entered into by a SwapClear Clearing Member with the Clearing House in respect of such SwapClear Clearing Clients, on:~~

~~an Individual Segregated Account basis ("Individual Segregated Account Business"); or~~

~~an Omnibus Net Segregated Account basis with segregation ("Omnibus Net Segregated Business").~~



~~A SwapClear Clearing Member acknowledges and agrees that, unless otherwise agreed with the Clearing House, it will not provide both Individual Segregated Account Business and Omnibus Net Segregated Business to a single SwapClear Clearing Client at the same time.~~

~~Subject to Regulation 52A(d), an Individual Segregated Account Clearing Client of a SwapClear Clearing Member may elect to become an Omnibus Net Segregated Clearing Client of that SwapClear Clearing Member and an Omnibus Net Segregated Clearing Client of a SwapClear Clearing Member may elect to become an Individual Segregated Account Clearing Client of that SwapClear Clearing Member provided, however, that the relevant SwapClear Clearing Member has not become a defaulter in accordance with Rule 4 of the Default Rules.~~

~~A SwapClear Clearing Member may operate one or more Omnibus Net Segregated Accounts. Each Omnibus Net Segregated SwapClear Clearing Client must be allocated to one such account. No Omnibus Net Segregated SwapClear Clearing Client may be allocated to more than one Omnibus Net Segregated Account.~~

~~A SwapClear Clearing Member may operate one or more Individual Segregated Accounts. Each Individual Segregated Account Clearing Client must be allocated to a separate Individual Segregated Account. No Individual Segregated Account Clearing Client may be allocated to more than one Individual Segregated Account.~~

~~A SwapClear Clearing Member may deliver to the Clearing House Excess Collateral and/or Additional Collateral in respect of its SwapClear Clearing Clients. However, no SwapClear Clearing Member shall deliver to the Clearing House any collateral other than amounts provided for the purposes of, or in connection with, the provision of clearing services by the Clearing House.~~

~~Required Collateral relating to the SwapClear Clearing Client Business of a SwapClear Clearing Member will be calculated by the Clearing House, and discharged by a SwapClear Clearing Member in respect of all of its SwapClear Clearing Clients, by:~~

~~if and to the extent that there is Excess Collateral available, deduction by the Clearing House of amounts from such Excess Collateral;~~

~~if and to the extent that Additional Collateral is being held in respect of a SwapClear Clearing Client and to the extent that the Required Collateral relates to the SwapClear Clearing Client in question, and subject to appropriate instructions being received by the Clearing House from the SwapClear Clearing Member specifying the relevant Additional Collateral and the relevant SwapClear Clearing Client, deduction by the Clearing House of that Additional Collateral; and~~

~~otherwise, delivery by the SwapClear Clearing Member to the Clearing House of collateral with a value which is at least sufficient to discharge the relevant requirement.~~

~~A SwapClear Clearing Member who has opened an Additional Collateral Account may transfer Additional Collateral to the Clearing House for the credit of such account. Such SwapClear Clearing Member shall inform the Clearing House of the identity of the~~

~~SwapClear Clearing Client for whose account the Additional Collateral is transferred, together with the type and value of the Additional Collateral in question and the Clearing House will record the Additional Collateral in the Additional Collateral Account held in respect of the relevant SwapClear Clearing Client.~~

~~A SwapClear Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any information which the Clearing House may reasonably require in relation to the SwapClear Clearing Client Business of that SwapClear Clearing Member.~~

~~In addition to and without prejudice to any other provision in the Rulebook, in circumstances where an investment manager or similar third party agent acts on behalf of a SwapClear Clearing Client, the Clearing House shall be entitled to treat instructions received from the investment manager or similar third party as if they were instructions received from the relevant underlying SwapClear Clearing Client.~~

~~No SwapClear Clearing Member may withdraw any amount from:~~

~~an Individual Segregated Account or an Omnibus Net Segregated Account if such withdrawal would cause the relevant Account Balance to be less than the Required Collateral then attributable to the relevant SwapClear Clearing Client by the Clearing House in accordance with the provisions of the Rulebook; or~~

~~an Additional Collateral Account unless such withdrawal is made (a) with the consent of the relevant SwapClear Clearing Client; or (b) in accordance with Regulation 52A(j).~~

~~Where any formalities or registration requirements apply in respect of the Deed of Assignment (and any other document which the Clearing House may from time to time determine), a SwapClear Clearing Member is required to comply with such obligations or to procure by agreement that such requirements are to be complied with. For the avoidance of doubt, prior to providing SwapClear Clearing Services to a SwapClear Clearing Client, each SwapClear Clearing Member must enter into a Deed of Assignment in respect of that SwapClear Clearing Client and in relation to amounts due to it from the Clearing House pursuant to the SwapClear DMP. Where a SwapClear Clearing Member enters into a Deed of Assignment and the Clearing House acts as Security Trustee, that SwapClear Clearing Member must provide notice of the assignments under such Deeds of Assignment to the Clearing House. The Clearing House agrees to exercise its default powers in such a fashion as to comply with its obligations under the Deeds of Assignment and related documentation, including by accepting instructions from the SwapClear Clearing Clients of a SwapClear Clearing Member following the occurrence of a Default in respect of such SwapClear Clearing Member.~~

~~In the context of a Deed of Assignment, a reference to the 'Default Management Process Agreement Amendment Agreement' or to the 'SwapClear Default Management Process Agreement' shall be construed as a reference to Regulation 52B.~~

## Default Management in respect of SwapClear Clearing Client Business

~~The SwapClear DMP in respect of any contract which is a SwapClear Contract entered into in respect of SwapClear Clearing Client Business shall involve the stages set out in this Regulation 52B. For the purposes of this Regulation 52B, a SwapClear Contract relating to SwapClear Clearing Client Business of an SCM (each a “**Relevant Contract**”) will be included in the Auction Portfolio from such time as the Clearing House determines that such Relevant Contract will not be ported. For the avoidance of doubt, any such Auction Portfolio will only contain Relevant Contracts. The Clearing House shall not be entitled to include client and house positions in an Auction Portfolio for the purposes of this Regulation 52B.~~

~~If an SwapClear Clearing Member becomes a Defaulting SCM the Clearing House shall:~~

~~calculate the Account Balances;~~

~~take any action under Rule 6 of the Default Rules as it shall deem necessary in respect of the SwapClear Clearing Client Business of the Defaulting SCM;~~

~~ascertain whether each SwapClear Clearing Client of the Defaulting SCM has appointed a Backup SwapClear Clearing Member; and~~

~~send details of the open Relevant Contracts and Account Balances to the nominated Backup SwapClear Clearing Member for each Individual Segregated Account and Omnibus Net Segregated Account of the Defaulting SCM, if any.~~

~~In circumstances where (a) an Individual Segregated Account Clearing Client of a Defaulting SCM has appointed a Backup SwapClear Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant SCM pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that SCM (as the case may be), the Clearing House has received confirmation from the Backup SwapClear Clearing Member of its agreement to act as Backup SwapClear Clearing Member in relation to the arrangements described in sub paragraph (i) below and from the relevant client (in such form as the Clearing House may require at the relevant time):~~

~~the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulting SCM in respect of the relevant Individual Segregated Account Clearing Client to the appointed Backup SwapClear Clearing Member; or (b) terminate and close out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup SwapClear Clearing Member in respect of the relevant Individual Segregated Account Clearing Client;~~

~~where the relevant Individual Segregated Account Clearing Client (in an exercise of its rights under the relevant Deed of Assignment) instructs a transfer of its Individual Segregated Account Balance to the appointed Backup SwapClear Clearing Member, the Clearing House shall give effect to such instruction;~~

~~(a) upon the Clearing House taking the actions specified in paragraph (c)(i)(a) above: (i) that portion (if any) of the Clearing House Current Collateral Balance in respect of the Defaulting SCM which is attributable to the Relevant Contracts referred to in that paragraph (the "Relevant Portion") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and~~

~~(b) upon the Clearing House taking the actions specified in paragraph (c)(i)(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the Defaulting SCM which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and~~

~~the amount due to be returned to the Defaulting SCM shall be reduced by an amount equivalent to the amount of the Account Balance transferred to the Backup SwapClear Clearing Member, as referred to in sub-paragraph (ii) of this Regulation 52B (c).~~

~~In circumstances where (a) all of the Omnibus Net Segregated Clearing Clients of a Defaulting SCM identified as composing an Omnibus Net Segregated Account have appointed a single Backup SwapClear Clearing Member; and (b) within such period as the Clearing House may determine of the service of a Default Notice on the relevant SCM pursuant to Rule 3 of the Default Rules or the Clearing House becoming aware of the occurrence of an Automatic Early Termination Event in respect of that SCM (as the case may be), the Clearing House has received confirmation from the Backup SwapClear Clearing Member of its agreement to act as Backup SwapClear Clearing Member in relation to the arrangements described in sub-paragraph (i) below and from the relevant clients (in such form as the Clearing House may require at the relevant time):~~

~~the Clearing House shall (a) transfer all of the open Relevant Contracts entered into by the Defaulting SCM in respect of the relevant Omnibus Net Segregated Clearing Clients to the appointed Backup SwapClear Clearing Member; or (b) terminate and close-out such contracts at their market value (as determined by the Clearing House in its discretion) and enter into new contracts on equivalent terms to such contracts with the appointed Backup SwapClear Clearing Member in respect of the relevant Omnibus Net Segregated Clearing Clients;~~

~~where all of the relevant Omnibus Net Segregated Clearing Client(s) (in an exercise of their respective rights under the relevant Deeds of Assignment) instruct a transfer of their Omnibus Net Segregated Account Balances to the appointed Backup SwapClear Clearing Member, the Clearing House shall give effect to such instructions;~~

~~(a) upon the Clearing House taking the actions specified in paragraph (d)(i)(a) above: (i) that portion (if any) of the Clearing House Current Collateral Balance in respect~~

~~of the Defaulting SCM which is attributable to the Relevant Contracts referred to in that paragraph (the "**Relevant Portion**") shall be reduced to zero; and (ii) the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above; and~~

~~(b) upon the Clearing House taking the actions specified in paragraph (d)(i)(b) above, the Clearing House Current Collateral Balance in respect of the Backup Clearing Member shall be increased by an amount equal to the value of that portion of the Clearing House Current Collateral Balance in respect of the Defaulting SCM which was attributable to the Relevant Contracts referred to in that paragraph immediately prior to the termination and close-out of such Relevant Contracts in accordance with that paragraph; and~~

~~the amount due to be returned to the Defaulting SCM in respect of such Omnibus Net Segregated Account shall be reduced by an amount equivalent to the aggregate amount of the Account Balances referred to in sub-paragraph (ii) above.~~

~~For the purposes of Regulations 52B(e) and (d) above, the relevant Individual Segregated Account Clearing Client or Omnibus Net Segregated Clearing Clients (as applicable) may provide consent to the Clearing House orally or in writing (including by facsimile and email) and shall not be entitled to withdraw such consent once received by the Clearing House.~~

~~In relation to those SwapClear Clearing Clients of a Defaulting SCM whose open Relevant Contracts are not dealt with pursuant to sub-paragraphs (i) and (ii) of Regulation 52B (e) or (d) above, the following shall occur:~~

~~the Clearing House shall calculate the entitlement to collateral (the "**SwapClear Clearing Client Entitlement**") of the Defaulting SCM in respect of each such SwapClear Clearing Client following the deduction of (a) the costs of any hedging undertaken; (b) amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulting SCM in respect of the relevant SwapClear Clearing Client; (c) any amounts to be deducted to reflect the operation of the set-off provision contained in Clause 3.1 of the SwapClear Clearing Agreement and confirmed in writing to the Clearing House by or on behalf of both the Defaulting SCM and the relevant SwapClear Clearing Client; (d) in respect of Omnibus Net Segregated Clearing Clients, amounts required to discharge all obligations owed to the Clearing House relating to Relevant Contracts entered into by the Defaulting SCM in respect of other Omnibus Net Segregated Clearing Clients relating to the Omnibus Net Segregated Account in question, in each case allocated pro rata as it sees fit in its sole discretion; and (e) in respect of any SwapClear Clearing Client in respect of whom the Clearing House acts as security trustee under a Deed of Assignment, that SwapClear Clearing Client's share (if any) of amounts required to discharge fees incurred by the security trustee (acting in that capacity) allocated between that SwapClear Clearing Client and the other SwapClear Clearing Clients in respect of whom the Clearing House acts as security trustee under such Deed of Assignment by the Clearing House pro rata as it sees fit in its sole discretion.~~

~~where the relevant SwapClear Clearing Client (in an exercise of its rights under the relevant Deed of Assignment) instructs the Clearing House to pay an amount to it equal to the SwapClear Clearing Client Entitlement due to be returned in respect of it to the Defaulting SCM, the Clearing House shall give effect to such instructions, subject to:~~

- ~~(a) the execution of appropriate documentation (which may, without limitation, include an indemnity (secured or otherwise)) between the Clearing House and the relevant SwapClear Clearing Client; and~~
- ~~(b) in the case of any deduction made pursuant to (c) of Regulation 52B (f), the provision of appropriate documentation by or on behalf of the Defaulting SCM.~~

~~Risk Neutralisation and the auction process relating to the Relevant Contracts shall be conducted in accordance with the provisions of the SwapClear DMP Annex, save that no hedging shall be undertaken in respect of a SwapClear Contract entered into in respect of SwapClear Clearing Client Business until such time as the Clearing House has determined that the SwapClear Contract in question will not be ported, from which time such contract shall be a Relevant Contract and included in an Auction Portfolio.~~

~~Calculation of the Account Balances and the SwapClear Clearing Client Entitlements will be undertaken by the Clearing House in accordance with its own records based on information provided to it by the Defaulting SCM. The Clearing House shall be under no obligation to verify or conduct any independent enquiry in respect of any such information and shall be entitled for all purposes to treat it as definitive. However, the Clearing House may, in its absolute discretion, adjust its records to reflect any matter which it believes should be taken into account in calculating the Account Balances and/or the SwapClear Clearing Client Entitlements.~~

~~Notwithstanding the provisions of Regulation 34, the Clearing House may not make any material change to the terms of this Regulation 52B without the written consent of 50% or more of all SwapClear Clearing Members unless such change is invoked unilaterally against all SCMs and is necessary to manage the Clearing House's risk or otherwise to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.~~



**REGULATION 59 DEFAULT MANAGEMENT IN RESPECT OF SWAPCLEAR  
CLIENT CLEARING BUSINESS**

The process for default management in respect of SwapClear Client Clearing Business is set out in the Client Clearing Annex to the Default Rules.



~~Regulation 52~~ REGULATION 60 TRANSFER

(a) Other than in the event that a SwapClear Clearing Member is a ~~d~~Defaulter, SwapClear Contracts carried by such a SwapClear Clearing Member in respect of SwapClear Client Clearing ~~Client~~ Business shall not be transferred except as provided in this ~~Regulation 52C~~ Regulation 60.

A Receiving Clearing Member may: (A) upon the instruction or at the request of an Individual Segregated Account Clearing Client; or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client), request the Clearing House (as set out in the Procedures); ~~to transfer that Individual Segregated Account to the Receiving Clearing Member the relevant SwapClear~~ Clearing Client's ~~entire~~ portfolio (and not less than an entire portfolio) of SwapClear Contracts registered with ~~at the~~ Carrying Clearing Member in a particular Client Account and, if also requested ~~by the Receiving Clearing Member, to transfer the Associated Collateral Balance attributable to such Individual Segregated SwapClear Clearing Client in respect of such Client Account Clearing Client by from~~ the Carrying Clearing Member. ~~It is a condition precedent to any such transfer of the Relevant SwapClear Contracts of the relevant Individual to the Receiving Clearing Member;~~ or (B) upon the instruction or at the request of (i) all of the Identified Omnibus Net Segregated Clearing Clients comprising a single Identified Client Omnibus Net Segregated Account Clearing Client and/or held by a Carrying Clearing Member; (ii) all of the Affiliated Omnibus Net Segregated Clearing Clients comprising a single Affiliated Client Omnibus Net Segregated Account held by a Carrying Clearing Member; or (iii) all of the Omnibus Gross Segregated Clearing Clients comprising a particular group of Combined Omnibus Gross Segregated Clearing Clients of a Carrying Clearing Member, request the Clearing House (as set out in the Procedures), to transfer the entire portfolio (and not less than an entire portfolio) of SwapClear Contracts registered with the Carrying Clearing Member in a particular Client Account on behalf of the relevant SwapClear Clearing Clients and, if also requested, to transfer the Associated Collateral Balance (as the case may be) that:

(b) Balances attributable to such SwapClear Clearing Clients in respect of such Client Account from the Carrying Clearing Member to the Receiving Clearing Member. It is a condition precedent to a transfer described in this paragraph that:

(i) no relevant SwapClear Clearing Client has ~~not~~ become insolvent (each such SwapClear Clearing Client ~~to~~ will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);

(ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a ~~d~~Defaulter;

(iii) such transfer would not violate or result in the violation of any applicable law or regulation;

(iv) the relevant SwapClear Clearing Client(s), the Receiving Clearing Member and the Carrying Clearing Member have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a

Security Deed, Deed of Charge, Clearing Membership Agreement and/or a Clearing Agreement);

the Receiving Clearing Member has consented to ~~such transfer of such Relevant SwapClear Contracts and such Associated Collateral Balance (if any);~~

~~(iv)(v) where (1) no Associated Collateral Balance is to be transferred simultaneously with the transfer of the Relevant SwapClear Contracts; or (2) as the result of an election by the Receiving Clearing Member to reject a portion of the relevant Associated Collateral Balance pursuant to paragraph (e) of this Regulation 52C, the proposed transfer of the Relevant Contracts would lead to a requirement for the Receiving Clearing Member to transfer Collateral to the Clearing House, the Clearing House considers that it has received sufficient Collateral from the Receiving Clearing Member in respect of the Relevant SwapClear Contracts; and~~ and, if applicable, the Associated Collateral Balance(s);

(vi) the Receiving Clearing Member has transferred sufficient Collateral to the Clearing House in respect of its current SwapClear Contracts and the Relevant SwapClear Contracts;

~~(v)(vii) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);~~ and

(viii) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer additional Collateral to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral to the Clearing House.

By requesting a transfer of the Relevant SwapClear Contracts of a SwapClear Clearing Client and, if applicable, the Associated Collateral Balance(s) pursuant to this paragraph (b), the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein and in the Procedures have been satisfied.

For purposes of ~~(v)(vii)~~ above, the Carrying Clearing Member ~~will~~may be entitled to reject ~~the transfer of the Relevant SwapClear Contracts of a~~ a particular ~~Individual Segregated Account Clearing Client~~ transfer only if (a) ~~such Individual Segregated Account~~ a relevant SwapClear Clearing Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional Collateral that may result from the proposed transfer, where, with respect to obligations owed to Affiliates of the Carrying Clearing Member by a SwapClear Clearing Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Relevant SwapClear Contracts of that SwapClear Clearing Client that are being transferred or that SwapClear Clearing Client's related collateral, (b) the transfer of the Relevant SwapClear Contracts of that SwapClear Clearing Client would result in the SwapClear Clearing Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates, or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant SwapClear Clearing Client.

(c) A Receiving Clearing Member may (A) upon the instruction or at the request of an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client), request the Clearing House (as set out in the Procedures) to transfer a portion of that SwapClear Clearing Client's portfolio of SwapClear Contracts registered with a Carrying Clearing Member, or (B) upon the request or instruction of an Identified Omnibus Net Segregated Clearing Client, an Affiliated Omnibus Net Segregated Clearing Client or a Combined Omnibus Gross Segregated Clearing Client which is not otherwise covered by paragraph (b) above, request the Clearing House (as set out in the Procedures), to transfer either the whole or a part of such SwapClear Clearing Client's portfolio of SwapClear Contracts registered with the Carrying Clearing Member. It is a condition precedent to a transfer described in this paragraph that:

- (i) no relevant SwapClear Clearing Client has become insolvent (each such SwapClear Clearing Client will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
- (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (iii) such transfer would not violate or result in the violation of any applicable law or regulation;
- (iv) the relevant SwapClear Clearing Client(s), the Receiving Clearing Member and the Carrying Clearing Member have each executed all documents necessary or required by the Clearing House in order to effect such transfer (including, where applicable, a Security Deed, Deed of Charge, Clearing Membership Agreement and/or a Clearing Agreement);
- (v) the Receiving Clearing Member has consented to the transfer of the Relevant SwapClear Contracts;
- (vi) the Receiving Clearing Member has transferred sufficient Collateral to the Clearing House in respect of its current SwapClear Contracts and the Relevant SwapClear Contracts;
- (vii) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House); and
- (viii) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer additional Collateral to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral to the Clearing House.

By requesting a transfer of the Relevant SwapClear Contracts of a SwapClear Clearing Client pursuant to this paragraph (c), the Receiving Clearing Member shall be deemed to have represented to the Clearing House that all of the conditions to such transfer set forth herein and in the Procedures have been satisfied.

For the avoidance of doubt, in no circumstances may any part of the Clearing Member Current Collateral Balance held in the Client Account in which the Relevant SwapClear Contracts are registered be transferred under this paragraph (c).

For purposes of (vii) above, the Carrying Clearing Member may be entitled to reject a particular transfer only if (a) a relevant SwapClear Clearing Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates, including any requirement for additional Collateral that may result from the proposed transfer, where, with respect to obligations owed to Affiliates of the Carrying Clearing Member by an Individual Segregated Account SwapClear Clearing Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Relevant SwapClear Contracts of that Individual Segregated Account SwapClear Clearing Client which that are being transferred or that client's, (b) the transfer of the Relevant SwapClear Contracts of that Individual Segregated Account Clearing Client would result in the client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates, or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Individual Segregated Account Clearing Client.

~~A Receiving Clearing Member may, upon the instruction or at the request of each Omnibus Net Segregated Clearing Client for whom the same Omnibus Net Segregated Account is held by a Carrying Clearing Member, request the Clearing House (as set out in the Procedures), to transfer each of such SwapClear Omnibus Net Segregated Clearing Clients' entire portfolios (and not less than an entire portfolio) of SwapClear Contracts registered with the Carrying Clearing Member and, if also requested, the Associated Collateral Balance attributable to such Omnibus Net Segregated Clearing Clients by the Carrying Clearing Member. If some but not all of the SwapClear Contracts registered in respect of such Omnibus Net Segregated Account are to be transferred, any such request shall be treated in accordance with Regulation 52C(d) below. It is a condition precedent to any such transfer of the Relevant SwapClear Contracts of the relevant Omnibus Net Segregated Clearing Clients and/or the relevant Associated Collateral Balance (as the case may be) that:~~

~~each such Omnibus Net Segregated Clearing Client has not become insolvent (such Omnibus Net Segregated Clearing Clients to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);~~

~~neither the Carrying Clearing Member nor the Receiving Clearing Member is a defaulter;~~

~~the Receiving Clearing Member has consented to such transfer of such Relevant SwapClear Contracts and such Associated Collateral Balance (if any);~~

~~where (1) no Associated Collateral Balance is to be transferred simultaneously with the transfer of the Relevant SwapClear Contracts or (2) as the result of an election by the Receiving Clearing Member to reject a portion of the relevant Associated Collateral Balance pursuant to paragraph (e) of this Regulation 52C, the proposed transfer of the Relevant Contracts would lead to a requirement for the Receiving Clearing Member to transfer Collateral to the Clearing House, the Clearing House considers that it has received sufficient Collateral from the~~

~~Receiving Clearing Member in respect of the Relevant SwapClear Contracts;  
and~~

~~the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House).~~

~~For purposes of (v) above, the Carrying Clearing Member may be entitled to reject the transfer of Relevant SwapClear Contracts of the Omnibus Net Segregated Clearing Clients only if (a) any of such Omnibus Net Segregated Clearing Clients has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its Affiliates, including any requirement for additional Collateral that may result from the proposed transfer, where, with respect to obligations owed to Affiliates of the Carrying Clearing Member by an Omnibus Net Segregated Clearing Client, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Relevant SwapClear Contracts of that Omnibus Net Segregated Clearing Client which are being transferred or that client's Clearing Client's related collateral, (b) the transfer of the Relevant SwapClear Contracts of that Omnibus Net Segregated Clearing Client would result in that client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates, or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant Omnibus Net Segregated Clearing Client. If, a transfer is not effected due to one of the conditions (i) to (v) above not being satisfied and the Receiving Clearing Member wishes to proceed with such transfer or any other transfer of SwapClear Contracts of some or all of the Omnibus Net Segregated Clearing Clients, it shall be required to submit a new request to transfer in accordance with this paragraph (c) or paragraph (d) of this Regulation 52C (as applicable).~~

~~A Receiving Clearing Member may (A) upon the instruction or at the request of an Individual Segregated Account Clearing Client, request the Clearing House (as set out in the Procedures) to transfer a portion of that SwapClear Clearing Client's portfolio of SwapClear Contracts registered with a Carrying Clearing Member, or (B) upon the request or instruction of an Omnibus Net Segregated Clearing Client for a transfer from an Omnibus Net Segregated Account which is otherwise not covered by paragraph (c) above, request the Clearing House (as set out in the Procedures), to transfer either the whole or a part of such Omnibus Net Segregated Clearing Client's portfolio of SwapClear Contracts registered with the Carrying Clearing Member. It is a condition precedent to any such transfer of the Relevant SwapClear Contracts of the Individual Segregated Account Clearing Client or the Omnibus Net Segregated Clearing Client (as the case may be) that:~~

~~such Individual Segregated Account Clearing Client or Omnibus Net Segregated Clearing Client (as the case may be) has not become insolvent (such Individual Segregated Account Clearing Client or Omnibus Net Segregated Clearing Client (as the case may be) to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);~~

~~neither the Carrying Clearing Member nor the Receiving Clearing Member is a defaulter;~~

~~the Receiving Clearing Member has consented to the transfer of the Relevant SwapClear Contracts;~~

~~the Receiving Clearing Member has transferred sufficient collateral to the Clearing House in respect of its current SwapClear Contracts and the Relevant SwapClear Contracts;~~

~~the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House); and~~

~~in the event that the transfer will lead to an increased Collateral requirement from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral to the Clearing House in respect of such increased Collateral requirement.~~

~~For purposes of (v) above, the Carrying Clearing Member may be entitled to reject the transfer of the Relevant SwapClear Contracts of a particular SwapClear Clearing Client only if (a) such SwapClear Clearing Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its Affiliates, including in respect of any additional Collateral required, that may result from the proposed transfer, where, with respect to obligations owed to Affiliates of the Carrying Clearing Member by a SwapClear Clearing Client, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the SwapClear Contracts being transferred or the SwapClear Clearing Client’s related collateral, (b) the transfer of the Relevant SwapClear Contracts, [SwapClear Clearing Client](#) would result in the SwapClear Clearing Client breaching exposure limits with, and/or other risk parameters set by, the Carrying Clearing Member and/or its Affiliates, or (c) such rejection is in accordance with terms agreed as between the Carrying Clearing Member and the relevant SwapClear Clearing Client.~~

~~For the [avoidance purposes](#) of ~~doubt~~, no part of the Clearing Member Current Collateral Balance may be transferred under this paragraph (d).~~

~~(e)(d) Upon request from the Clearing House, and in order to facilitate a transfer pursuant to paragraph (b) or paragraph (c)(b) above, [that includes the transfer of the corresponding Associated Collateral Balance\(s\)](#), the Carrying Clearing Member shall notify the Clearing House of the [specific collateral which should comprise such](#) Associated Collateral Balance ~~which is~~(s). [In the event that the Carrying Clearing Member fails to notify the Clearing House of the specific collateral which should comprise the Associated Collateral Balance\(s\), the Clearing House shall identify and select \(in the manner set out in the Procedures\) the Collateral it deems appropriate to comprise the Associated Collateral Balance\(s\)](#) attributable to the Relevant SwapClear Contracts entered into by the Carrying Clearing Member on behalf of the relevant SwapClear Clearing Client(s) [in its sole discretion](#) and, along with the Receiving Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the Procedures. ~~In the event that the Carrying Clearing Member fails to notify the Clearing House of the Associated Collateral~~~~



~~Balance that is attributable to the relevant SwapClear Clearing Client, the Clearing House shall identify and transfer such collateral as it deems appropriate and as set out in the Procedures.~~ Once the Associated Collateral Balance(s) which ~~is to be~~ are the subject of ~~the relevant~~ transfer ~~has~~ have been notified by the Clearing House to the Receiving Clearing Member, the Receiving Clearing Member may elect to reject the transfer of some or all of such Associated Collateral Balance-~~(s)~~. Any such ~~an~~ election will not, ~~of itself,~~ prevent the transfer of the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client(s) and any Associated Collateral Balance which has been accepted by the Receiving Clearing Member, **provided that** the conditions set out in sub-paragraphs (i) to ~~(viii)~~ (viii) of paragraph ~~(b) or (e) (as applicable)~~ (b) above are satisfied in relation to such transfer. The Clearing House shall transfer the Associated Collateral Balance that has been identified ~~to~~ and consented to by the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer such Associated Collateral Balance, the Clearing House will not proceed with the transfer of the Relevant SwapClear Contracts.

~~(e)~~ (e) Further to the satisfaction of the conditions set out in paragraphs ~~(b), (e)~~ (b) and ~~(d)~~ (c) above, ~~as applicable,~~ and **provided that** ~~it~~ the Clearing House does not determine, in its sole discretion, that ~~(x)~~ the transfer cannot be effected under these Regulations ~~or,~~ the Procedures or otherwise under applicable laws or regulations and/or (y) where the transfer is as described in paragraph (ii) of the definition of "Receiving Clearing Member", additional conditions as set out in Regulation 13 of the FCM Regulations need to be and have not been complied with, the Clearing House shall transfer the Relevant SwapClear Contract(s) into the name of the Receiving Clearing Member ~~on behalf of~~ as follows: (A) in the case of a transfer effected in accordance with paragraph (b) above, where the Receiving Clearing Member is the same entity as the relevant SwapClear Clearing Client, the Relevant SwapClear Contracts (and, if applicable, the Associated Collateral Balance) shall be transferred to the Proprietary Account of the Receiving Clearing Member; (B) in a case of a transfer (i) not covered by (A) of this paragraph (e) and (ii) where the Receiving Clearing Member is an FCM Clearing Member, the Relevant SwapClear Contracts (and, if applicable, the Associated Collateral Balance) shall be transferred to the relevant FCM Client Sub-Account of the relevant Receiving Clearing Member and all of the SwapClear Contracts to be transferred (which are subject to the Rulebook) shall, upon transfer, be converted to FCM SwapClear Contracts subject to the FCM Regulations and the FCM Procedures but shall otherwise remain on the same contract terms; and (C) in all other cases, the Relevant SwapClear Contracts (and, if applicable, the Associated Collateral Balance(s)) shall be transferred to the relevant Individual Segregated Account or Omnibus Segregated Account of the Receiving Clearing Member. The transfer of the Relevant SwapClear Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Relevant SwapClear Contracts to the Receiving Clearing Member.

~~(f)~~ (f) In the case where a transfer of Relevant SwapClear Contracts pursuant to paragraph ~~(b) or paragraph (e)~~ (b) above will include the transfer of the Associated Collateral Balance-~~(s)~~ (s):

4.(i) ~~in~~ In respect of an Associated Collateral Balance that is subject to ~~security arrangements~~ a Deed of Charge entered into between the Carrying Clearing Member and the Clearing House ~~in relation to the transfer of Collateral,~~ such transfer shall be effected as follows:

- ~~(1)~~(A) the Carrying Clearing Member shall relinquish all rights to such Associated Collateral Balance (including, for the avoidance of doubt, any beneficial interest and/or equity of redemption in respect thereof);
- ~~(2)~~(B) such Associated Collateral Balance shall immediately upon such relinquishment be held by the Clearing House on behalf of the Receiving Clearing Member; ~~and~~
- ~~(3)~~(C) ~~where~~ the Receiving Clearing ~~Member's~~Member is not an FCM Clearing Member, its rights to such Associated Collateral Balance arising as described in ~~sub-paragraph (B)~~(B) above shall become, in respect of the Relevant SwapClear Contracts, subject to the ~~security arrangements~~Deed of Charge entered into between the Receiving Clearing Member and the Clearing House ~~in relation to the transfer of Collateral~~ (such rights thereby becoming Charged Property within the meaning of ~~the document creating such security arrangements~~); that Deed of Charge; and
- (D) ~~in respect of any part of~~ where the Receiving Clearing Member is an FCM Clearing Member, the Associated Collateral Balance shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Regulations and the FCM Clearing Membership Agreement between the Receiving Clearing Member and the Clearing House.
- ~~2.~~(ii) In respect of any part of an Associated Collateral Balance that is not subject to ~~security arrangements~~the Deed of Charge entered into between the Carrying Clearing Member and the Clearing House ~~in relation to the transfer of Collateral~~, such transfer shall be by novation of the Carrying Clearing Member's rights and obligations in respect of such part of the Associated Collateral Balance to the Receiving Clearing Member.
- ~~3.~~(iii) For the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Associated Collateral Balance transferred.
- ~~4.~~(iv) The transfer of the Relevant SwapClear Contracts and Associated Collateral Balance shall be deemed to occur simultaneously, and the transfer of the Relevant SwapClear Contracts shall be conditioned on the transfer of the Associated Collateral Balance, and vice versa.
- ~~5.~~(v) If the transfer of the Relevant SwapClear Contracts and Associated Collateral Balance is not completed for any reason, then any actual transfer of any part of the Associated Collateral Balance or Relevant SwapClear Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of any part of the Associated Collateral Balance or Relevant SwapClear Contracts that has occurred shall be immediately unwound.
- ~~6.~~(vi) ~~(A) that~~ That portion (if any) of the Clearing House Current Collateral Balance in respect of the Carrying Clearing Member which is attributable to the Relevant SwapClear Contracts (the "**Relevant Portion**") shall be reduced to zero; and ~~(B)~~ii)



the Clearing House Current Collateral Balance in respect of the Receiving Clearing Member shall be increased by an amount equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above.

(g) Rights under a SwapClear Contract entered into by a SwapClear Clearing Member in respect of SwapClear Client Clearing-~~Client~~ Business shall not be capable of assignment by a SwapClear Clearing Member. Any such purported assignment by a SwapClear Clearing Member, or any purported transfer that is not in compliance with this ~~Regulation 52C~~Regulation 60 shall be void.

(h) ~~g~~—If a SwapClear Clearing Member is a ~~d~~DDefaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules ~~and Regulation 52(B)~~ in relation to SwapClear Contracts carried by such SwapClear Clearing Member on behalf of SwapClear Clearing Clients, **provided always that** the Clearing House shall take such actions as are required to meet the Clearing House's continuing regulatory obligations including those applicable to it as a Recognised Clearing House and a Derivatives Clearing Organization.

(i) ~~h~~—Subject to paragraph ~~(j)~~(j) below, but otherwise notwithstanding anything to the contrary in these Regulations, in making any transfer of Relevant SwapClear Contracts and (if applicable) an Associated Collateral Balance pursuant to this ~~Regulation 52C~~Regulation 60, the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the relevant SwapClear Clearing Member(s), which shall be solely responsible for all such instructions and information, including ~~(i) for the purposes of~~ ensuring that (i) the transfer is properly authorised or rejected (as the case may be);; (ii) ~~that the appropriate client account and Associated Collateral Balance have~~Client Account of the Carrying Clearing Member (from which the transfer is to be made) has been identified; and the transfer is made from that Client Account; and (iii) in the case of a partial transfer of SwapClear Contracts pursuant to ~~Regulation 52C(d)~~paragraph (c) above, the appropriate Relevant SwapClear Contracts have been identified by the Receiving Clearing Member, and the Clearing House shall have no responsibility or liability therefor.

(j) ~~i~~—The Clearing House shall verify that the Relevant SwapClear Contracts identified to it by a SwapClear Clearing Member as being the subject of such a transfer correspond to SwapClear Contracts which, according to its records, are registered in the name of the Carrying SwapClear Clearing Member on behalf of the relevant SwapClear Clearing Client. In the event that the Clearing House identifies a discrepancy, it will notify the relevant SwapClear Clearing Member(s) and no transfer will occur pursuant to this ~~Regulation 52C~~Regulation 60 until such time as the Relevant SwapClear Contracts identified to the Clearing House by the relevant SwapClear Clearing Member(s) can be verified by the Clearing House.

(k) ~~j~~—The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than in compliance with the grounds set out in the final ~~paragraph of Regulation 52C(b), (c) or (d) (as the case may be)~~paragraphs of Regulation 60(b) and Regulation 60(c) above.

## ~~SCHEDULE TO THE SWAPCLEAR REGULATIONS~~

### ~~Part A~~

#### ~~SwapClear Contract Terms~~

~~The terms of a registered SwapClear Contract shall include these SwapClear Contract Terms which shall comprise:~~

- ~~(1) Interpretation; and~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms.~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~Subject to the Regulations and the Procedures, the Clearing House will use the SwapClear Contract Terms applicable to a SwapClear Contract to calculate the amounts due under the SwapClear Contract to, or from, the Clearing House in accordance with the Procedures.~~

#### ~~1. Interpretation~~

~~1.1. "ISDA 2000 Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and the same are incorporated by reference herein and "ISDA 2006 Definitions" means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein.~~

~~1.2. Words and expressions used in these SwapClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the "ISDA 2000 Definitions" or the "ISDA 2006 Definitions" shall have the same meaning herein as in the 2000 ISDA Definitions or the ISDA 2006 Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that SwapClear Contract then those definitions will apply and where the SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that SwapClear Contract then those definitions will apply.~~

~~1.3. In the event of an inconsistency between the Regulations and the Procedures and either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the Regulations and Procedures will prevail.~~

~~1.4. References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a "Swap Transaction" shall be deemed to be references to a "SwapClear Transaction" for the purposes of SwapClear.~~

~~1.5. Except where expressly stated otherwise, all reference to "Articles" means Articles in the ISDA 2000 Definitions or the ISDA 2006 Definitions as the case may be as published by ISDA:~~

- ~~(a) in relation to any amendments to either the ISDA 2000 Definitions or the ISDA 2006 Definitions, the Clearing House may from time to time, by notice delivered~~

~~to the SwapClear Clearing Members and the SwapClear Dealers, give directions as to whether such amendment shall apply to SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine;~~

- ~~(b) any such notice may provide that the amendment to the ISDA 2000 Definitions or the ISDA 2006 Definitions may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines;~~
- ~~(c) the accidental omission to give notice under this provision to, or the non receipt of notice under this provision by, any SwapClear Clearing Member or SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.~~

## ~~2. Economic Terms~~

~~2.1. The Economic Terms of a SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.~~

~~2.2. It is part of the eligibility criteria for registration as a SwapClear Contract that the particulars of a SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that information in respect of (i) (viii) OR (ix) (not both) for vanilla interest rate swaps with constant notional principal and variable notional swaps and (n) or (o) (not both) in relation to forward rate agreements must be provided.~~

~~2.3. The Economic Terms for vanilla interest rate swaps with constant notional principal and variable notional swaps comprise:~~

- ~~(a) Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>†</sup>)~~
- ~~(b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);~~
- ~~(c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);~~
- ~~(d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);~~
- ~~(e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);~~

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<sup>†</sup> SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.

- ~~(f) Additional Payments/Fees:~~
- ~~(i) the Payer of the Additional Payments/Fees (if any);~~
  - ~~(ii) the amount of the Additional Payments/Fees (specify zero if none).~~
- ~~(g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);~~
- ~~(h) Business Day Convention (see Article 4.12 for definition);~~
- ~~(i) Where Fixed Rate Floating Rate Swap:~~
- ~~(i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);~~
  - ~~(ii) Fixed Rate Payer Payment Dates;~~
  - ~~(iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule]<sup>2</sup>~~
  - ~~(iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);~~
  - ~~(v) Floating Rate Payer Payment Dates;~~
  - ~~(vi) Floating Rate Payer compounding dates (if applicable);~~
  - ~~(vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions for definition);~~
  - ~~(viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~
- ~~(Note: The details of each such option are as provided in the Procedures).~~
- ~~(ix) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 Version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~
  - ~~(x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition)<sup>3</sup>;~~
  - ~~(xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~

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<sup>2</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value.

<sup>3</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

~~(xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition).~~

~~(j) Where Floating Rate Floating Rate Swap (“basis” swap):~~

~~(i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):~~

~~(a) Floating Rate Payer Payment Dates;~~

~~(b) Floating Rate Payer compounding dates (if applicable);~~

~~(c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);~~

~~(Note: the details of each such option are as provided in the Procedures)~~

~~(d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~

~~(e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition);<sup>4</sup>~~

~~(f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~

~~(g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition)~~

~~(ii) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):~~

~~(a) Floating Rate Payer Payment Dates;~~

~~(b) Floating Rate Payer compounding dates (if applicable);~~

~~(c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition)~~

~~(Note: The details of each such option are as provided in the Procedures)~~

~~(d) Designated Maturity (see Article 7.3(b) of the “Annex to the 2000 ISDA Definitions (June 2000 version)” and Article 7.3 (b) of the ISDA 2006 Definitions for definition);~~

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<sup>4</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- ~~(e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2 (e) of the ISDA 2006 Definitions for definition);<sup>5</sup>~~
- ~~(f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2 (b) of the ISDA 2006 Definitions for definition);~~
- ~~(g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2 (f) of the ISDA 2006 Definitions for definition)~~

~~2.4. The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:~~

- ~~(a) Notional Amount (see Article 4.7 for definition);~~
- ~~(b) Currency (see Article 1.7 for definition);~~
- ~~(c) Trade Date (see Article 3.7 for definition);~~
- ~~(d) Effective Date (see Article 3.2 for definition);~~
- ~~(e) Termination Date (see Article 3.3 for definition);~~
- ~~(f) Additional Payments/Fees:
 
  - ~~(i) the Payer of the Additional Payments/Fees (if any);~~
  - ~~(ii) the amount of the Additional Payments/Fees (specify zero if none).~~~~
- ~~(g) Business Days (see Article 1.4 for definition);~~
- ~~(h) Business Day Convention (see Article 4.12 for definition);~~
- ~~(i) Fixed Rate Payer (see Article 2.1 for definition);~~
- ~~(j) Fixed Rate Payer Payment Dates;~~
- ~~(k) Fixed Rate~~
- ~~(l) Floating Rate Payer (see Article 2.2 for definition);~~
- ~~(m) Floating Rate Payer Payment Dates;~~
- ~~(n) Floating Rate Option (see Article 6.2(i) for definition);~~
- ~~(o) Designated Maturity (see Article 7.3(b) for definition);~~
- ~~(p) Spread (see Article 6.2(f) for definition);~~
- ~~(q) Reset Dates (see Article 6.2(b) for definition);~~

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<sup>5</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- ~~(r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition).~~
- ~~(s) FRA Discounting (see Article 8.4 (b) for definition):~~
- ~~(t) Discount Rate (see Article 8.4. (c) for definition):~~
- ~~(u) Discount Rate Day Count Fraction (see Article 8.4. (d) for definition):~~
- ~~(v) FRA Yield Discounting (see Article 8.4. (e) for definition):~~

~~In respect of forward rate agreements either (s) or (v) but not both should be selected. PROVIDED, however, that, as set out more particularly in Regulation 48, where the SwapClear Transaction specifies a SwapClear Dealer as the party paying Rate X (the “First SwapClear Dealer”), with the other SwapClear Dealer as the party paying Rate Y (the “Second SwapClear Dealer”), the Clearing House, in respect of each SwapClear Contract it is party to pursuant to the corresponding SwapClear Transaction, shall be (i) the party paying Rate Y to the First SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract; and (ii) the party paying Rate X to the Second SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract.~~

### ~~2.5. Financial Centres~~

~~Detail of the relevant financial centre/s must be provided using the appropriate Markitwire/FpML code as set out below:~~

### ~~3. Standard Terms~~

~~The following terms are designated as Standard Terms of a registered SwapClear Contract:~~

#### ~~3.1. Business Days~~

~~In addition to the Business Days for the financial centres specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to a SwapClear Contract.~~

#### ~~3.2. Economic and Monetary Union (EMU) Provisions~~

~~3.2.1. The occurrence or non-occurrence of an event associated with EMU will not have the effect of altering any term of, or discharging or excusing performance under, a SwapClear Contract.~~

~~3.2.2. For the purposes of this provision events associated with EMU include those set out in the “EMU Continuity Provision” published by ISDA.~~

~~3.2.3. In addition, in relation to an occurrence of an event associated with EMU, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and SwapClear Dealers, give directions as to changes, if any, to these SwapClear Contract Terms and to its Procedures. Any such notice may provide that the changes to the SwapClear Contract Terms, and / or Procedures, may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member’s name at the time such amendment comes into effect if the Clearing House so determines.~~

~~3.2.4. The accidental omission to give notice under this provision to, or the non receipt of notice under this provision by any SwapClear Clearing Member or a SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.~~

~~3.2.5. Where a SwapClear Contract is in Hong Kong Dollars, the parties agree that it is a fundamental basis and condition of the contract that at the registration of this SwapClear Contract and for the duration of this contract, the Hong Kong dollar rate of exchange against the US Dollar is 7.8 Hong Kong Dollars to one US Dollar. In the event that such exchange rate should vary for any one or more day at any time during the contract, the Clearing House shall have the right, on the giving of written notice, to terminate this contract forthwith.~~

### ~~3.3. Negative Interest Rates~~

~~The “Negative Interest Rate Method” as set out in Article 6.4(b) of the ISDA Definitions, will apply to a SwapClear Contract.~~

### ~~3.4. Withholding Tax Provisions~~

~~All payments due under a SwapClear Contract shall be made by the SwapClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the SwapClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~The Clearing House shall make any payments due to a SwapClear Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~

### ~~3.5. Payment of Stamp Tax~~

~~Each SwapClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any SwapClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (“Stamp Tax Jurisdiction”) or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any SwapClear Contract registered by the Clearing House and to which that SwapClear Clearing Member is a party.~~

### ~~3.6. Payments under a SwapClear Contract~~

~~Payments under, and in respect of, a SwapClear Contract shall be calculated by the Clearing House and shall be made by, or to, the SwapClear Clearing Member in accordance with the provisions of the Procedures.~~

### ~~3.7. Regulations~~

~~A SwapClear Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these SwapClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.~~

### ~~3.8. Governing Law~~

~~Each SwapClear Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The SwapClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall~~



~~not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

~~3.9. **Third Party Rights**~~

~~A person who is not a party to this SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this SwapClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

## **Part B**

### **Product Eligibility Criteria for Registration of a SwapClear Contract**

#### **1. ~~SwapClear Transaction~~**

~~Without prejudice to the Regulations and the Procedures, the Clearing House will only register a SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:~~

- ~~(a) the transaction meets the SwapClear Eligibility Criteria for registration as a SwapClear Transaction; and~~
- ~~(b) each party to the transaction is either a SwapClear Dealer or a SwapClear Clearing Member (including an SCM Branch);~~

~~and the requirements of (a) and (b) continue to be satisfied at Registration Time.~~

#### **1.1. ~~SwapClear Product Eligibility Criteria for a SwapClear Transaction~~**

- ~~(a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below;~~
- ~~(b) Variable notional swaps having the characteristics set out in the table below;~~

~~(c) — Forward rate agreements having the characteristics set out in the table below;~~

~~2. [ ]~~

### ~~3. **Additional SwapClear Product Eligibility Criteria**~~

~~3.1. A contract must also meet the following additional criteria to be eligible as a SwapClear Transaction:~~

#### ~~3.1.1 Day Count Fractions~~

~~(See Article 4.16 of the “Annex to 2000 ISDA Definitions (June 2000 Version)”, Article 4.16 of the ISDA 2006 Definitions for definition)~~

~~The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail.:~~

~~Day Count Fractions using the ISDA 2000 Definitions~~

~~Day Count Fractions using the ISDA 2006 Definitions:~~

~~The Clearing House will only accept the following day count fractions for Forward Rate Agreements Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:~~

~~Day Count Fractions using the ISDA 2006 Definitions:~~

#### ~~3.1.2 Business Day Conventions~~

~~The Business Day Convention specified in the Economic Terms must be one of the following:~~

~~Following (see Article 4.12 (i) of the ISDA 2000 Definitions and Article 4.12 (i) of the ISDA 2006 Definitions for definition)~~

~~Modified Following (see Article 4.12 (ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)~~

~~Preceding (see Article 4.12 (iii) of the ISDA 2000 Definitions and Article 4.12 (iii) of the ISDA 2006 Definitions for definition)~~

~~For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:~~

~~fixed period end dates and the termination date~~

~~float period end dates and the termination date~~

#### ~~3.1.3 Minimum and Maximum Residual Term of the Trade (Termination date—Today)~~

~~Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.~~

~~Minimum Residual Term of trade:~~

~~Termination date - Today  $\geq$  1 + currency settlement lag~~

~~where currency settlement lag is:~~

~~1 day for EUR, USD, GBP and CAD denominated trades~~

~~2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades~~

~~Maximum Residual Term of trade:~~

~~Termination date - Today  $\leq$  3,670 days for DKK, HKD, NZD, NOK, PLN, ZAR, SAD, HUF & CZK (10 years)~~

~~Termination date - Today  $\leq$  10,970 days for AUD, CAD, CHF & SEK (30 years)~~

~~Termination date - Today  $\leq$  14,620 days for JPY (40 years)~~

~~Termination date - Today  $\leq$  18,275 days for GBP, EUR & USD (50 years)~~

~~Maximum Residual Term to Maturity for Forward Rate Agreements~~

~~The maximum residual term to maturity for forward rate agreements is as follows:~~

#### ~~3.1.4 Designated Maturity~~

~~The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.~~

#### ~~3.1.5 Calculation Periods~~

~~(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)~~

~~For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-standard Calculation Periods ("stub periods") at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as SwapClear Transactions.~~

~~For variable notional swaps the stub rate should be detailed either as a percentage (i.e. 5.5%), an interpolation (i.e. 1 month/3months) or as a designated maturity (i.e. 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.~~

~~For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.~~

~~The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq$  1 week for IRS and basis swap and  $\geq$  1 month for zero coupon swaps.~~

~~SwapClear also calculates floating periods subject to IMM settlement dates as per ISDA definitions.~~

~~For Forward Rate Agreements non-standard designated maturities are accepted subject to the following criteria:~~

~~Interpolated period:~~

~~The maturity date must fall between the rolled dates, according to the business day convention, of the specified designated tenors. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.~~

~~SwapClear will interpolate based upon the closest indices for interpolation~~

~~Non interpolated period:~~

~~SwapClear will only support the closest index tenor to the calculated period.~~

**REGULATION 60A PROVISION OF INFLATION SWAP MARKET DATA**

- (a) Regulation 60A(c) applies to any SwapClear Clearing Member who transacts in SwapClear Contracts of a type identified as being Inflation SwapClear Contracts in the Product Specific Contract Terms and Eligibility Criteria Manual and whose business involving such Contracts exceeds the threshold specified in [Regulation 60A(b)].
- (b) [Drafting to be inserted specifying the circumstances in which a SwapClear Clearing Member will be required to provide inflation swap market data (relevant thresholds to be calculated by reference to actual or expected levels of clearing activity of the relevant SwapClear Clearing Member in relation to Inflation SwapClear Contracts entered into by way of SwapClear Clearing House Business). If a SwapClear Clearing Member is required to provide inflation swap market data then the provisions set out in [Regulation 60A(c)] (as may be amended from time to time) will take effect between the Clearing House and the SwapClear Clearing Member for as long as the SwapClear Clearing Member is required to provide the market data.]
- (c) Where this [Regulation 60A(c)] applies to a SwapClear Clearing Member:
- (i) that SwapClear Clearing Member shall (or shall procure that one of its affiliates does) provide to the Clearing House in such manner as the Clearing House may specify from time to time such inflation market data as the Clearing House may specify from time to time in respect of those indices that are both (a) eligible for clearing by the Clearing House and (b) an index in respect of which the SwapClear Clearing Member is an active market participant (the "**Market Data**"). The SwapClear Clearing Member represents and warrants that it (or, if applicable, the affiliate providing the data) is authorised to provide the Market Data to the Clearing House on the terms set out in this [Regulation 60A(c)];
- (ii) that SwapClear Clearing Member will retain all ownership rights, Intellectual Property Rights (as defined below) and all other rights in respect of its Market Data;
- (iii) the Clearing House may combine that SwapClear Clearing Member's Market Data with equivalent market data received from other SwapClear Clearing Members (such combined data and any further data derived from such combined data, the "**Derived Data**"). In producing the Derived Data, the Market Data will be anonymised so that it is not possible to analyse the Derived Data in such a way as to identify the Market Data originating from any particular SwapClear Clearing Member. Subject to sub-paragraphs (v) and (vii) below, the Clearing House may not use a SwapClear Clearing Member's Market Data for any purpose other than the compilation of the Derived Data;
- (iv) subject to sub-paragraph (v) below, the Clearing House will retain all ownership rights, Intellectual Property Rights and all other rights in respect of the Derived Data;
- (v) the Clearing House may use:
- (A) Market Data and Derived Data for the purposes of SwapClear clearing and settlement, including calculation of margin, trade and portfolio valuation, and SwapClear Clearing Member end-of-day price and valuation reporting; and

(B) Derived Data as a data source for other Clearing House clearing services;

- (vi) the Clearing House may disclose or provide Derived Data to third parties on terms to be determined by the Clearing House. In the event that the Clearing House provides Derived Data to a SwapClear Clearing Member or its Representatives (as defined below), it grants such SwapClear Clearing Member or Representative a worldwide, non-exclusive, non-transferable, non-sublicensable, revocable license to use the Derived Data solely for the purposes of the relevant SwapClear Clearing Member's internal risk management and clearing processes. For the purposes of this subparagraph (vi), "Representatives" shall include: (A) the SwapClear Clearing Member's affiliates; and (B) any other entity approved in writing by the Clearing House. The Clearing House consents to SwapClear Clearing Members disclosing the Derived Data to their regulators and auditors;
- (vii) the Clearing House may (A) use or disclose Market Data where it is required to do so by law or by a regulatory authority; and (B) use (but not disclose) Market Data where it is required to do so by a direction of the Clearing House Risk Committee;
- (viii) the Clearing House may share the Market Data and Derived Data with LCH.Clearnet LLC on condition that LCH.Clearnet LLC adheres to the same restrictions on use and disclosure of such data as the Clearing House is subject to. LCH.Clearnet LLC may use and disclose the Market Data and Derived Data in the same way and to the same extent as the Clearing House is permitted; and
- (ix) other than as permitted by this [Regulation 60A] or as agreed in writing with the relevant SwapClear Clearing Member, the Clearing House shall not use and/or share the Market Data with third parties (whether for fees or otherwise).

For the purposes of this [Regulation 60A(c)], "Intellectual Property Rights" means any right, title and interest in patents, trademarks, copyright, typography rights, database rights (including rights of extraction), registered designs and unregistered design rights, trade secrets and the right to keep information confidential, and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of them which may subsist anywhere in the world, whether or not any of them are registered and including applications for registration of any of them.

- (d) [Provisions will be included pursuant to which the Clearing House may, in certain circumstances, instruct a Clearing Member to enter into a transaction of a specified notional amount at the price quoted by that Clearing Member in the inflation market data it submitted to the Clearing House.]



**CHAPTER XV – REPOCLEAR REGULATIONS****Regulation 53 REGULATION 61 APPLICATION OF REPOCLEAR REGULATIONS**

- (a) ~~These~~ The Clearing House shall provide the RepoClear Service subject to and in accordance with the terms of these RepoClear Regulations, which form part of and the Procedures.
- (b) RepoClear Clearing Members shall be bound by these RepoClear Regulations, together with the. ~~Applications to become a RepoClear Clearing Member shall be made in accordance with Regulation 61(d) and (e). Other than as expressly specified in this Regulation 61, the remainder of the Regulations referred to in paragraph (b) shall not apply to the RepoClear Service. A summary table of those Regulations which apply to the RepoClear Service as described in Regulation 61(a) to (p) is provided at Regulation 61(q).~~
- (c) Regulation 2 and Regulation 3 of the Regulations apply to the RepoClear Service.

**RepoClear Clearing Membership**

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

**Accounts**

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

**Client Clearing**

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

**Formation, registration and transfers of RepoClear Contracts, ~~RepoClear GC Contracts, RepoClear Clearing Members~~**

- (i) Regulation 16(b), (c) and (e) to (m), Regulation 17 and Regulation 19 apply to the formation and registration of a RepoClear Contract.
- (j) Regulation 61 to Regulation 66 applies to the RepoClear Service.
- (a)(k) Regulation 18 (and, insofar as relevant, ~~to RepoClear Dealers~~ Regulation 12(b)) apply to a RepoClear Contract that is an open contract.

**The Default Rules, Default Fund Rules, the Definitions Margin and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) Collateral**

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

Reference prices and ~~(e), 10, 11, 12, 14, 16, 26 to 39B inclusive (other than Regulation 35(a), Regulation 37(b))~~ Revaluation

~~(m)~~ Regulation 22 and ~~Regulation 38(b)) of the General Regulations~~ Regulation 66 apply to open RepoClear Contracts, ~~RepoClear GC Contracts,~~

### Other Applicable Regulations

~~(b)(n)~~ Regulation 37 to Regulation 46 inclusive apply to RepoClear Clearing Members and, ~~insofar as relevant, to~~ RepoClear ~~Dealers~~ Contracts.

### Default Rules

(o) The Default Rules (including the RepoClear DMP Annex) apply to RepoClear Clearing Members and RepoClear Contracts.

### Clearing House Settlement Finality Regulations

(p) The Clearing House Settlement Finality Regulations apply in relation to RepoClear Clearing Members and RepoClear Contracts.

### Summary table of Regulations which apply to the RepoClear Service

(q) The Regulations listed in this Regulation 61(q) apply to the RepoClear Service as described under Regulation 61(a) to (p).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 8	<u>Dealer Status</u>
Regulation 9	<u>Service Withdrawal</u>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	Designation
0(b), (c) and (e) to (m)	Registration

<b>Regulation</b>	<b>Title</b>
Regulation 17	Trading Information
0	Transfer
Regulation 19	<a href="#">Transactions entered into through an Automated Trading System or Platform</a>
Regulation 20	Margin and Collateral
0	Official Quotations and Reference Price
0	Other modes of settlement and Revaluation
Regulation 35	<a href="#">Delivery (or other) Failures</a>
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
0(b)	Interpretation of these Regulations
0	Waiver
0(a)	Validity of Regulations and Action
0(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 61 to 0	RepoClear Regulations

<b><i>Regulation</i></b>	<b><i>Title</i></b>
Default Rules	Default Rules (including RepoClear DMP Annex)
Settlement Finality Regulations	Settlement Finality Regulations

**Regulation 54** **REGULATION 62** SUBMISSION OF DETAILS OF REPOCLEAR TRANSACTIONS AND REPOCLEAR GC TRANSACTIONS THROUGH AN APPROVED TRADE MATCHING SYSTEM

(a) Details of RepoClear Transactions and RepoClear GC Transactions other than those referred to in ~~Regulation 56~~ Regulation 63 (RepoClear Transactions and RepoClear GC Transactions entered into ~~by RepoClear Clearing Members through an Automated Trading System~~) or ~~Regulation 56A~~ (RepoClear Transactions and RepoClear GC Transactions entered into ~~by RepoClear Dealers~~ through an Automated Trading System) which are to be submitted for registration must be submitted by the RepoClear Participants party to such transactions through an Approved Trade Matching System (~~“(ATMS)”~~) specified for the purpose of this Regulation in the Procedures, and in accordance with the Procedures.

~~Without prejudice to the Clearing House’s rights under paragraph (f) of this Regulation, a RepoClear Clearing Member shall be bound by a RepoClear Contract or RepoClear GC Contract, as the case may be, registered in its name pursuant to the presentation of details of a RepoClear Transaction or RepoClear GC Transaction, as the case may be, by it or by a RepoClear Dealer with whom it is party to a RepoClear Dealer Clearing Agreement.~~

~~Without prejudice to the Clearing House’s rights under paragraph (f) of this Regulation, a RepoClear Transaction or RepoClear GC Transaction must, in order that it be registered as a RepoClear Contract or RepoClear GC Contract, as the case may be, meet the RepoClear Eligibility Criteria and other requirements as prescribed in the Regulations and the Procedures, at the time when the details (as prescribed from time to time by the Clearing House) of the RepoClear Transaction or RepoClear GC Transaction are presented to the Clearing House and at all times thereafter up to and including Registration Time.~~

~~The Clearing House shall be deemed to register a RepoClear Contract, or RepoClear GC Contract, as the case may be, in accordance with Regulation 55, in the name of a RepoClear Clearing Member at the time prescribed in the Procedures (“Registration Time”).~~

~~For the avoidance of doubt, any transaction of which details have been presented by RepoClear Participants for registration as a RepoClear Contract or RepoClear GC Contract which is not so registered will remain in effect solely between the persons party thereto in accordance with any terms agreed between them and the Clearing House shall have no obligations or liability in relation thereto.~~

~~If at any time after registration of a RepoClear Contract or RepoClear GC Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the criteria for registration as a RepoClear Contract or RepoClear GC Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such RepoClear Contract or RepoClear GC Contract. Upon a RepoClear Contract or RepoClear GC Contract, as the case may be, being set aside under this paragraph, the details of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect between the persons party thereto in accordance with any terms agreed between them. Any payment made under, or in respect of, a RepoClear Contract or RepoClear GC Contract set aside under this paragraph shall be repayable to the person who made the payment, and any securities delivered under such Contract shall be re-delivered to the person who made the delivery of such securities. Without prejudice to Regulation 39 and~~

~~its obligations under this Regulation 54(f), the Clearing House shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a RepoClear Contract or RepoClear GC Contract, in respect of a transaction which did not meet the criteria at the Registration Time to enable it to be registered as a RepoClear Contract or RepoClear GC Contract, as the case may be.~~

~~Registration of RepoClear Contracts and RepoClear GC Contracts following Submission of Details of a RepoClear Transaction or RepoClear GC Transaction~~

~~Without prejudice to the Clearing House's rights to effect further novation under Regulation 3(b), details of a RepoClear Transaction or RepoClear GC Transaction presented for registration through an Approved Trade Matching System to, and accepted by, the Clearing House, shall be registered by the Clearing House as two RepoClear Contracts or as two RepoClear GC Contracts, as the case may be, one between the Selling RepoClear Clearing Member and the Clearing House as buyer, as principals to such contract, and the other between the Clearing House as seller and the Buying RepoClear Clearing Member, as principals to such contract. For the purposes of this Regulation:~~

~~"Selling RepoClear Clearing Member" is a RepoClear Clearing Member who was, before registration of the RepoClear Contract or RepoClear GC Contract, party to the corresponding RepoClear Transaction or RepoClear GC Transaction as the seller, or who has a subsisting RepoClear Dealer Clearing Agreement with a RepoClear Dealer who was party to the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be, as the seller; and~~

~~"Buying RepoClear Clearing Member" is a RepoClear Clearing Member who was, before registration of the RepoClear Contract or RepoClear GC Contract, party to the corresponding RepoClear Transaction or RepoClear GC Transaction as the buyer, or who has a subsisting RepoClear Dealer Clearing Agreement with a RepoClear Dealer who was party to the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be, as the buyer.~~

~~With effect from registration of a RepoClear Transaction or RepoClear GC Transaction as two RepoClear Contracts or as two RepoClear GC Contracts, as the case may be under paragraph (a) of this Regulation:~~

~~the parties to the corresponding RepoClear Transaction or RepoClear GC Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;~~

~~each RepoClear Contract registered under paragraph (a) of this Regulation shall be governed by the RepoClear Contract Terms;~~

~~each RepoClear GC Contract registered under paragraph (a) of this Regulation shall be governed by the RepoClear SGC Contract Terms or RepoClear €GC Contract Terms;~~

~~in respect of the Economic Terms, the Selling RepoClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the RepoClear Contract or RepoClear GC Contract to which it is a party as the selling party had and owed in respect of its counterparty under the corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be; and~~

~~in respect of the Economic Terms, the Buying RepoClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the RepoClear Contract or RepoClear GC Contract to which it is party as the buying party had and owed in respect of its counterparty under the~~

~~corresponding RepoClear Transaction or RepoClear GC Transaction, as the case may be.~~

~~In subparagraphs (iv) and (v) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding RepoClear Transaction or RepoClear GC Transaction (it being assumed, for this purpose, that such RepoClear Transaction or RepoClear GC Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of the Standard Terms.~~

~~If a RepoClear Transaction or RepoClear GC Transaction, is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration, that revocation, avoidance or invalidity shall not affect any RepoClear Contract or RepoClear GC Contract arising under this Regulation, Regulation 3(b) or Regulation 11.~~

~~The Clearing House may, with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such Contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a Contract in error or have agreed to certain terms of the Contract in error.~~

~~In the case of a RepoClear Contract or RepoClear GC 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 Regulation 55 shall take effect.~~



**Regulation 56**~~REGULATION 63~~ **REPOCLEAR TRANSACTIONS ENTERED INTO BY REPOCLEAR CLEARING MEMBERS THROUGH AN AUTOMATED TRADING SYSTEM**

(a) This ~~Regulation 56~~Regulation 63 applies to Repo Trades, Bond Trades and GC Trades made by RepoClear Clearing Members (~~otherwise than pursuant to Regulation 56A~~) or RepoClear Dealers through an Automated Trading System which such RepoClear Clearing Member or RepoClear Dealer is authorised by the Clearing House to use under the Procedures (~~“an ATS”~~) either as direct participants in the ATS or indirectly through a participant in the ATS. In the event of any inconsistency between the Regulations (including ~~the any applicable RepoClear Dealer Clearing Agreement and the~~ terms of any other agreement entered into between the RepoClear Dealer, the RepoClear Clearing Member and the Clearing House, or any of them), and the rules, practices, procedures and arrangements of the ATS (~~“ATS Rules”~~) the Regulations shall prevail.

(b) If an ~~“ATS participant”~~ “ATS Participant” (defined for these purposes as a RepoClear Dealer or a RepoClear Clearing Member, who is a direct or indirect participant in an ATS) has given notice to the Clearing House, in accordance with the Procedures, that it intends to carry out Repo Trades and/or Bond Trades and/or GC Trades through an ATS specified in its notice and has not withdrawn such notice in accordance with the Procedures, the Clearing House will enter into RepoClear Contracts or RepoClear GC Contracts, as the case may be, with the ATS ~~participant~~Participant (where it is a RepoClear Clearing Member) or the ATS Participant's RepoClear Clearing Member (where the ATS Participant is not a RepoClear Clearing Member itself) pursuant to such dealings in accordance with and subject to the following provisions of this Regulation. The terms of a registered RepoClear Contract or RepoClear GC Contract shall be as notified to the Clearing House by the ATS and otherwise subject to the Regulations (and the Clearing House and the ~~ATS participant~~RepoClear Clearing Member party to the registered RepoClear Contract or RepoClear GC Contract, as the case may be, shall be obliged to perform their obligations thereunder in accordance with such terms).

(c) The Clearing House makes an open offer to the ATS ~~participant~~Participant (where it is a RepoClear Clearing Member) or the ATS Participant's RepoClear Clearing Member (where the ATS Participant is not a RepoClear Clearing Member itself) that it shall enter into a RepoClear Contract in respect of any Repo Trade or any Bond Trade or to enter into a RepoClear GC Contract in respect of any GC Trade, in accordance with paragraph ~~(d) or paragraph (e)~~(d) of this Regulation, as applicable, pursuant to the ATS ~~participant's~~Participant's dealings through any ATS referred to in paragraph ~~(b)~~(b), **provided that** the following requirements (~~“the RepoClear Open Offer Eligibility Criteria”~~) shall have been complied with:

(i) ~~not more than ten minutes have lapsed since~~ the Clearing Membership Agreement:

(A) to which the ATS ~~participant~~Participant is party ~~was~~has not been terminated in accordance with its terms ~~and/for more than ten minutes; or the Clearing House~~

(B) to which the ATS Participant's RepoClear Clearing Member is party ~~has not been terminated in accordance with its terms;~~

~~(i)~~(ii) the ATS Participant has not (where it is not itself a RepoClear Clearing Member) been removed or suspended from the Register of RepoClear Dealers, or (where it is a RepoClear Clearing Member) has not had its authorisation of that ATS participant to participate in the RepoClear Service removed by the Clearing House;

(iii)

(A) in the case of an ATS Participant who is a RepoClear Clearing Member, not more than ten minutes have lapsed since a Default Notice was signed in respect of the ATS Participant under ~~rule~~Rule 3 of the Default Rules (without prejudice to the Clearing House's rights to register new Contracts (including RepoClear Contracts and RepoClear GC Contracts, whether closing out contracts or otherwise) in the ATS Participant's name under the Default Rules in connection with the Clearing House's default proceedings); or

~~(ii)~~(B) in the case of an ATS Participant who is not a RepoClear Clearing Member, a Default Notice has not been issues in respect of the ATS Participant's RepoClear Clearing Member under Rule 3 of the Default Rules (without prejudice to the Clearing House's rights to register new Contracts (including RepoClear Contracts and RepoClear GC Contracts, whether closing out contracts or otherwise) in the ~~ATS participant's~~RepoClear Clearing Member's name under the Default Rules in connection with the Clearing House's default proceedings);

~~(iii)~~(iv) such dealings satisfy the terms and conditions stated in the Regulations and the Procedures with respect to such dealings (together the "**RepoClear Eligibility Criteria for RepoClear Contracts and RepoClear GC Contracts**") and the offers made in this ~~Regulation 56, Regulation 63,~~ including the terms of any Contract which would arise under paragraph ~~(d) or (e)~~(d) and all necessary details as required by the Clearing House, shall have been provided to the Clearing House;

~~(iv)~~(v) the dealings are recognised by the relevant ATS as satisfying the RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear GC Contract and as dealings which the parties thereto have identified are to be registered by the Clearing House as RepoClear Contracts or RepoClear GC Contracts, as applicable;

~~(v)~~(vi) ~~the ATS participant~~the ATS Participant (including, where applicable, as agent for the relevant RepoClear Clearing Member) has executed such agreements or documents as may be required by the Clearing House from time to time in connection herewith; (or, where applicable, in connection with the relevant RepoClear Dealer Clearing Agreement); and

~~(vi)~~(vii) all or any conditions imposed by the Clearing House have been satisfied.

(d) If particulars with respect to (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade which satisfy the relevant RepoClear Open Offer Eligibility Criteria have been input into the relevant ATS by or on behalf of an ATS Participant as seller (or buyer) and have been matched by, or in accordance with the ATS Rules with particulars with respect to a Repo Trade, Bond Trade or GC Trade, on such terms input into such ATS by another ATS Participant as buyer; (or seller), and the relevant RepoClear Open Offer Eligibility Criteria

have been satisfied, two RepoClear Contracts or RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (**provided that**, if the selling ATS ~~p~~Participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified **provided always that** the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the buyer (or seller) under one RepoClear Contract or RepoClear GC Contract (as the case may be) to the selling (or buying) ATS ~~p~~Participant, and the seller (or buyer) under the second RepoClear Contract or relevant RepoClear GC Contract, as the case may be to the buying (or selling) ATS ~~p~~Participant.

~~If particulars with respect to (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade, which satisfy the relevant RepoClear Open Offer Eligibility Criteria have been input into the relevant ATS by or on behalf of an ATS participant as buyer and have been matched by, or in accordance with the ATS Rules with particulars with respect to a Repo Trade, Bond Trade or GC Trade, on such terms input into such ATS by another ATS participant as seller and the RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or two RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the seller under one RepoClear Contract or RepoClear GC Contract, as the case may be, to the buying ATS participant, and the buyer under the second RepoClear Contract or RepoClear GC Contract (as the case may be) to the selling ATS participant.~~

~~RepoClear Contracts or RepoClear GC Contracts entered into by the Clearing House under paragraph (d) or (e), as applicable, with RepoClear Clearing Members, shall be registered in the name of each RepoClear Clearing Member following receipt of the details required by the Clearing House of such Contracts from the operator of the relevant ATS.~~

~~If the details required by the Clearing House of RepoClear Contracts or RepoClear GC Contracts arising under paragraph (d) or (e) are not provided to the Clearing House by the operator of the relevant ATS in accordance with the terms of an agreement entered into between the Clearing House and the ATS operator by the time required by the Clearing House from time to time, neither the Clearing House nor the RepoClear Clearing Member party thereto shall be obliged to perform their respective obligations under the RepoClear Contracts or RepoClear GC Contracts, as the case may be arising under paragraph (d) or (e), as applicable. If the Clearing House receives such details after such time from such operator or in accordance with any directions issued by the Clearing House to the affected RepoClear Clearing Member, or any other RepoClear Participant, such RepoClear Contracts or RepoClear GC Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a~~

~~change to the terms of an affected RepoClear Contract or RepoClear GC Contract. Any directions given by the Clearing House under this paragraph (g) shall be binding on all affected RepoClear Participants.~~

(e) The Clearing House undertakes to keep open the offer made by it in this ~~Regulation 56~~Regulation 63 until ~~such ATS participant~~:

(i) in the case of an ATS Participant who is a RepoClear Clearing Member, such ATS Participant is no longer eligible to have RepoClear Contracts or RepoClear GC Contracts registered in its name or has withdrawn from trading through each ATS notified to the Clearing House under paragraph ~~(b)~~(b); or

(ii) in the case of an ATS Participant who is not a RepoClear Clearing Member, each ATS referred to in paragraph (b) has removed from the ATS Participant the ability to submit Repo Trades or Bond Trades or GC Trades for registration with the Clearing House.

Any such intended withdrawal from trading through an ATS must be notified to the Clearing House in accordance with the Procedures.

~~Without prejudice to Regulation 39, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any RepoClear Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any RepoClear Contract or RepoClear GC Contract arising under paragraph (d) or (e) if the Clearing House does not receive the relevant details referred to in paragraph (g) by the time referred to in such paragraph (g) in respect of such RepoClear Contract or RepoClear GC Contract.~~

~~Notwithstanding the provisions of paragraph (e), if the Clearing House receives details of a trade from an ATS specified by an ATS participant by notice given under paragraph (b) and which notice has not been withdrawn and the details of the trade purportedly meet the relevant RepoClear Open Offer Eligibility Criteria in paragraph (e), the ATS participant shall be bound by any RepoClear Contract or RepoClear GC Contract registered in his name in respect of such trade and the terms of such registered RepoClear Contract or RepoClear GC Contract, as the case may be, shall be as set out in paragraph (b).~~

~~Without prejudice to paragraph (j), the Clearing House may with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a contract in error or have agreed to certain terms of the contract in error.~~

**REGULATION 64 DISPUTES**

(a) In the event of a dispute arising out of, or in respect of, the existence of a trade, or whether it was identified to the ATS by the ATS Participants (as defined above) as a trade to be registered by the Clearing House as a RepoClear Contract or RepoClear GC Contract, such dispute shall be settled as provided for in the ATS Rules, without recourse to the Clearing House. In respect of a dispute arising out of, or in respect of, a registered RepoClear Contract or RepoClear GC Contract, other than a dispute in respect of a matter referred to above as a dispute to be settled as provided for in the ATS Rules, such dispute shall be settled as provided in the Regulations.

~~RepoClear transactions entered into by RepoClear Dealers through an Automated Trading System~~

~~This Regulation 56A applies to Repo Trades, Bond Trades and GC Trades made by a RepoClear Dealer (who is not a RepoClear Clearing Member) through an ATS which is an authorised ATS. In the event of any inconsistency between the Regulations, (including the RepoClear Dealer Clearing Agreement and the terms of any other agreement entered into between the RepoClear Dealer, the RepoClear Clearing Member and the Clearing House, or any of them) and relevant ATS Rules, the Regulations shall prevail.~~

~~If an “ATS participant” (defined for these purposes as a RepoClear Dealer who is a direct or indirect participant in an ATS), has given notice to the Clearing House in accordance with the Procedures, that it intends to carry out Repo Trades and/or Bond Trades and/or GC Trades through an ATS and has not withdrawn such notice in accordance with the Procedures, the Clearing House will enter into RepoClear Contracts or RepoClear GC Contracts, as the case may be, with the RepoClear Clearing Member of the ATS participant pursuant to such dealings in accordance with and subject to the following provisions of this Regulation. The terms of a registered RepoClear Contract or RepoClear GC Contract shall be as notified to the Clearing House by the ATS and otherwise subject to the Regulations (and the Clearing House and the RepoClear Clearing Member party to the registered RepoClear Contract or RepoClear GC Contract, as the case may be, shall be obliged to perform their obligations thereunder in accordance with such terms):~~

~~The Clearing House makes an open offer to the RepoClear Clearing Member of the ATS participant to enter into a RepoClear Contract in respect of any Repo Trade or any Bond Trade or to enter into a RepoClear GC Contract in respect of any GC Trade in accordance with paragraph (d) or paragraph (e) of this Regulation, as applicable, pursuant to the ATS participant’s dealings through any ATS referred to in paragraph (b), provided that the following requirements (“the RepoClear Open Offer Eligibility Criteria”) shall have been complied with:~~

~~the Clearing Membership Agreement to which the RepoClear Clearing Member is party has not been terminated in accordance with its terms;~~

~~the ATS participant has not been removed or suspended from the Register of RepoClear Dealers;~~

~~a Default Notice has not been issued in respect of the RepoClear Clearing Member under rule 3 of the Default Rules (without prejudice to the Clearing House’s rights to register new contracts (including RepoClear Contracts and RepoClear GC Contracts, whether closing out contracts or otherwise) in the RepoClear Clearing Member’s name under the Default Rules in connection with the Clearing House’s default proceedings);~~

~~such dealings satisfy the terms and conditions stated in the Regulations and the Procedures with respect to such dealings (the “RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear GC Contracts”) and the offers made in this Regulation 56A, including the terms of any contract which would arise under paragraph (d) or (e) and all necessary details as required by the Clearing House shall have been provided to the Clearing House;~~



~~the dealings are recognised by the relevant authorised ATS as satisfying the RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear GC Contract and as dealings which the parties thereto have identified are to be registered by the Clearing House as RepoClear Contracts or RepoClear GC Contracts, as applicable;~~

~~the RepoClear Clearing Member or the ATS participant as agent for the RepoClear Clearing Member has executed such agreements or documents as may be required by the Clearing House from time to time in connection herewith or the RepoClear Dealer Clearing Agreement; and~~

~~all or any conditions imposed by the Clearing House have been satisfied.~~

~~If particulars with respect to (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade which satisfy the RepoClear Open Offer Eligibility Criteria have been input in to the relevant authorised ATS by or on behalf of an ATS participant as seller and have been matched by, or in accordance with the ATS Rules with particulars with respect to a Repo Trade, Bond Trade, or GC Trade on such terms input into such ATS by another ATS participant as buyer, and the RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or two RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the buyer under one RepoClear Contract or RepoClear GC Contract, as the case may be, to the RepoClear Clearing Member of the selling ATS participant, and the seller under the second RepoClear Contract or RepoClear GC Contract, as the case may be, to the RepoClear Clearing Member of the buying ATS participant.~~

~~If particulars in respect of (i) a Repo Trade; (ii) a Bond Trade or (iii) a GC Trade, which satisfy the RepoClear Open Offer Eligibility Criteria have been input into the relevant ATS by or on behalf of an ATS participant as buyer and have been matched by, or in accordance with the ATS Rules with particulars in respect of a Repo Trade, Bond Trade or GC Trade (as the case may be), on such terms input into such ATS by another ATS participant as seller and the RepoClear Open Offer Eligibility Criteria have been satisfied, two RepoClear Contracts or two RepoClear GC Contracts, as the case may be, shall arise immediately on the matching of such details as follows (provided that, if the selling ATS participant has not identified all relevant details required by the Clearing House in respect of the securities to be delivered by him under a transaction other than for a RepoClear GC Trade, the RepoClear Open Offer Eligibility Criteria will only be satisfied on his identifying all such relevant details in accordance with the ATS Rules and the two RepoClear Contracts shall arise immediately on such details being identified provided always that the other RepoClear Open Offer Eligibility Criteria are also satisfied at the time of such details being so provided). The Clearing House shall be the seller under one RepoClear Contract or RepoClear GC Contract (as the case may be) to the RepoClear Clearing Member of the buying ATS participant, and the buyer under the second~~

~~RepoClear Contract or RepoClear GC Contract (as the case may be) to the RepoClear Clearing Member of the selling ATS participant.~~

~~RepoClear Contracts or RepoClear GC Contracts entered into by the Clearing House under paragraph (d) or (e), as applicable, with RepoClear Clearing Members, shall be registered in the name of each RepoClear Clearing Member following receipt of the details required by the Clearing House of such contracts from the operator of the relevant ATS.~~

~~If the details required by the Clearing House of RepoClear Contracts or RepoClear GC Contracts arising under paragraph (d) or (e) are not provided to the Clearing House by the operator of the relevant ATS in accordance with the terms of an agreement entered into between the Clearing House and the ATS operator by the time required by the Clearing House from time to time, neither the Clearing House nor the RepoClear Clearing Member party thereto shall be obliged to perform their respective obligations under the RepoClear Contracts or RepoClear GC Contracts arising under paragraph (d) or (e), as applicable. If the Clearing House receives such details after such time from such operator or in accordance with any directions issued by the Clearing House to the affected RepoClear Clearing Member, or any other RepoClear participant, such RepoClear Contracts or RepoClear GC Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected RepoClear Contract or RepoClear GC Contract. Any directions given by the Clearing House under this paragraph (g) shall be binding on all affected RepoClear Participants.~~

~~The Clearing House undertakes to keep open the offer made by it in this Regulation 56A in respect of Repo Trades, Bond Trades or GC Trades meeting the RepoClear Open Offer Eligibility Criteria until each authorised ATS referred to in paragraph (b) has removed from the ATS participant the ability to submit Repo Trades or Bond Trades or GC Trades for registration with the Clearing House.~~

~~Without prejudice to Regulation 39A, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall not be liable to any RepoClear Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any RepoClear Contract or any RepoClear GC Contract arising under paragraph (d) or (e) if the Clearing House does not receive the relevant details referred to in paragraph (g) by the time referred to in such paragraph (g) in respect of such RepoClear Contract or RepoClear GC Contract.~~

~~Notwithstanding the provisions of paragraph (e), if the Clearing House receives details of a trade from an ATS specified by an ATS participant by notice given under paragraph (b) and which notice has not been withdrawn and the details of the trade purportedly meet the relevant RepoClear Open Offer Eligibility Criteria in paragraph (e), the RepoClear Clearing Member of the relevant ATS participant shall be bound by any RepoClear Contract or RepoClear GC Contract registered in his name in respect of such trade and the terms of such registered RepoClear Contract or RepoClear GC Contract shall be as set out in paragraph (b).~~

~~Without prejudice to paragraph (i), the Clearing House may with the agreement of RepoClear Clearing Members party to corresponding RepoClear Contracts or RepoClear GC Contracts, set aside or take such other steps with respect to such contracts on such terms~~



~~as may be agreed if either or both RepoClear Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by their respective ATS participants in error.~~

~~In the event of a dispute arising out of, or in respect of, the existence of a trade, or whether it was identified to the ATS by the ATS participants (as defined above) as a trade to be registered by the Clearing House as a RepoClear Contract or RepoClear GC Contract, such dispute shall be settled as provided for in the ATS Rules, without recourse to the Clearing House. In respect of a dispute arising out of, or in respect of, a registered RepoClear Contract or RepoClear GC Contract, other than a dispute in respect of a matter referred to above as a dispute to be settled as provided for in the ATS Rules, such disputes shall be settled as provided in the Regulations.~~

## RepoClear Dealers

~~Application for admission to the Register of RepoClear Dealers shall be made in accordance with these Regulations and the Procedures. An applicant for admission to the Register of RepoClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of RepoClear Dealers. A RepoClear Dealer shall be subject to, and governed by, these Regulations, the Procedures and the RepoClear Dealer Clearing Agreement to which it is for the time being party.~~

~~A person admitted to the Register of RepoClear Dealers shall at all times satisfy the criteria prescribed from time to time by the Clearing House for admission to the Register of RepoClear Dealers and any rules prescribed from time to time by the Clearing House for RepoClear Dealers.~~

~~The Clearing House may suspend or remove a RepoClear Dealer from the Register of RepoClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the RepoClear Dealer Clearing Agreement to which it is for the time being party. Any person who has been suspended from the Register of RepoClear Dealers for a period of more than three months shall be removed from the Register of RepoClear Dealers and must make a new application if it wishes to be re-admitted to the Register.~~

~~A RepoClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of RepoClear Dealers. At the end of such notice period, the Clearing House shall remove the RepoClear Dealer from the Register of RepoClear Dealers.~~

~~The Clearing House may, for the purposes of Regulation 57(A), prescribe different criteria to be satisfied by RepoClear Dealers in respect of Repo Trades, Bond Trades, RepoClear Transactions, RepoClear GC Transactions or GC Trades.~~

**~~Regulation 57K~~REGULATION 65 AUTHORITY TO ACT AS A REPOCLEAR CLEARING MEMBER**

- (a) A Member may not become party to RepoClear Contracts or RepoClear GC Contracts unless it has been authorised by the Clearing House as a RepoClear Clearing Member and is eligible to be party to such RepoClear Contracts or RepoClear GC Contracts and such authorisation has not been withdrawn or suspended by the Clearing House.
- (b) Application for authorisation as a RepoClear Clearing Member shall be made in accordance with these Regulations and the Procedures. In order to be authorised as a RepoClear Clearing Member, a Member must meet the criteria applicable to the RepoClear Contracts or RepoClear GC Contracts to which it wishes to become a party. A Clearing Member may be authorised as eligible to become party to certain RepoClear Contracts or RepoClear GC Contracts and not others.
- (c) The withdrawal or suspension of a Member's authorisation referred to in paragraph ~~(a)~~(a) shall not, of itself, affect its membership of the Clearing House, or its entitlement (if any) to become party to RepoClear Contracts or RepoClear GC Contracts which are not caught by the withdrawal or suspension of such authorisation.
- (d) Where a Default Notice is served in accordance with these Regulations, or the Clearing Membership Agreement of a RepoClear Clearing Member is terminated, the service of such notice or the termination of such Clearing Membership Agreement, as the case may be, shall automatically withdraw the authorisation of that Member to be a RepoClear Clearing Member.
- (e) Without prejudice to paragraph ~~(d)~~(d) of this Regulation, the Clearing House shall suspend the authorisation referred to in paragraph ~~(a)~~(a) of any Member who is no longer otherwise eligible to have RepoClear Contracts and/or RepoClear GC Contracts registered in its name for such period as the Clearing House may determine.
- (f) If a Member's authorisation to act as RepoClear Member is withdrawn, or is withdrawn with respect to some but not all RepoClear Contracts and RepoClear GC Contracts, those RepoClear Contracts or RepoClear GC Contracts which the Member is no longer eligible to clear with the Clearing House shall be closed-out in accordance with directions given by the Clearing House.

**Regulation 58**REGULATION 66 DAILY MARGINING OF REPOCLEAR CONTRACTS AND REPOCLEAR GC CONTRACTS

- (a) This ~~Regulation 58~~Regulation 66 shall be without prejudice to the Clearing House's rights to require Collateral to be transferred to it under ~~Regulation 12~~Regulation 20.
- (b) The Net Present Value of each RepoClear Contract and each RepoClear GC Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the Net Present Value calculated by the Clearing House may in no circumstances be challenged.
- (c) Subject to paragraph ~~(e)~~(d), the Clearing House shall require ~~the~~ transfer, in accordance with the Procedures, at least daily, of cash Collateral to the Clearing House in respect of variation margin from a RepoClear Clearing Member, or will be required to transfer cash Collateral in respect of ~~its~~ variation margin ~~obligations~~ to such RepoClear Clearing Member, representing the change in the Net Present Value of all RepoClear Contracts and RepoClear GC Contracts registered in the RepoClear Clearing Member's name for a particular currency from the preceding RepoClear Opening Day (as defined in the Procedures), in an amount calculated in accordance with the Procedures. ~~Any transfer~~Transfer of cash Collateral shall be made in accordance with and by the time or times stated in the Procedures.
- (d) Interest shall be paid by the Clearing House on cash Collateral (other than Clearing Member Returned Collateral) transferred ~~to~~ the Clearing House by such RepoClear Member and shall be calculated on the basis set out in the Procedures. A RepoClear Clearing Member shall pay interest to the Clearing House on cash Collateral (other than ~~Clearing House Returned Collateral~~returned cash collateral) transferred ~~by~~ the Clearing House to the RepoClear Clearing Member in respect of variation margin as calculated by the Clearing House on the basis set out in the Procedures.

### ~~Delivery (or Other) Failures~~

~~Without prejudice to the Default Rules, if a RepoClear Clearing Member as seller fails to deliver securities to the Clearing House under a RepoClear Contract or RepoClear GC Contract by the due time therefore, the Clearing House shall issue directions, in accordance with the Procedures, to the seller and to a RepoClear Clearing Member as buyer under a corresponding RepoClear Contract or RepoClear GC Contract regarding the performance of such contracts and such directions shall be binding on such members.~~

~~The Clearing House shall be entitled to demand Collateral in respect of a Member's margin obligations in such amounts and in such form as it may require in accordance with the Procedures from the selling RepoClear Clearing Member who has failed to deliver securities under a RepoClear Contract or RepoClear GC Contract by the due time therefore and from the buying RepoClear Clearing Member under the corresponding RepoClear Contract or RepoClear GC Contract.~~

~~Without prejudice to the Default Rules, if a selling RepoClear Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under RepoClear Contracts or RepoClear GC Contract (other than in circumstances where Regulations 26 and/or 27 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the RepoClear Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the RepoClear Member's ability to have RepoClear Contracts and/or RepoClear GC Contracts registered in his name and to require him to liquidate or transfer under Regulation 11 open contracts, being RepoClear Contracts and/or RepoClear GC Contracts registered in his name.~~

~~Withdrawal of RepoClear Service by the Clearing House~~

~~If at any time the Clearing House decides to withdraw the RepoClear service, it shall give not less than six months' notice to all RepoClear Participants of the date on which the service will be withdrawn ("the RepoClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non receipt of notice under this Regulation by, one or more RepoClear Participants shall not invalidate the RepoClear Withdrawal Date.~~

~~Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the RepoClear Withdrawal Date.~~

~~If, at the RepoClear Withdrawal Date, a RepoClear Clearing Member has open Contracts, being RepoClear Contracts and/or RepoClear GC Contracts, registered in its name, the Clearing House shall, at its sole discretion, be entitled to liquidate any such RepoClear Contracts and/or RepoClear GC Contracts and effect cash settlement in respect of them with the RepoClear Clearing Member.~~

~~The Clearing House shall have the right to postpone the RepoClear Withdrawal Date until such time as the Clearing House determines.~~

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part A****~~RepoClear Contract Terms: RepoClear Contracts arising from RepoClear Transactions, Repo Trades or Bond Trades~~**

~~Where a RepoClear Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear Contract shall include these RepoClear Contract Terms, which shall comprise:~~

- ~~(1) Economic Terms;~~
- ~~(2) Standard Terms; and~~
- ~~(3) Interpretation section.~~

**Interpretation Section**

~~Save as otherwise specified herein, words and phrases defined elsewhere in the General Regulations, Procedures and Default Rules of the Clearing House (together, and as amended from time to time, the “Regulations”) shall have the same meanings in these RepoClear Contract Terms.~~

~~In the event of any inconsistency between these RepoClear Contract Terms and the Regulations, the Regulations will prevail, unless expressly otherwise specified.~~

~~As used in these RepoClear Contract Terms:~~

~~“Equivalent Securities” means securities equivalent to Purchased Securities. If and to the extent that such Purchased Securities have been redeemed, the expression shall mean a sum of money equivalent to the proceeds of redemption.~~

~~Securities are “equivalent to” other securities for the purposes of these RepoClear Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.~~

~~“Income” means, with respect to any Purchased Securities at any time, all interest, dividends or other distributions thereon (“Distributions”).~~

~~“Income Payment Date” means, with respect to any Purchased Securities, the date on which Income is paid in respect of such Purchased Securities, or in the case of registered Purchased Securities, the date by reference to which particular registered holders are identified as being entitled to payment of Income.~~

~~“Price Differential” means, with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55, or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, the aggregate amount obtained by daily application of the Pricing Rate to the Purchase Price (on a day basis in accordance with the RepoClear Procedures) for the actual number of days during the period commencing on (and including) the Purchase Date and ending on (but excluding) the date of calculation or, if earlier, the Repurchase Date.~~

~~“Pricing Rate” means the per annum percentage rate used in the calculation of the Price Differential, which in turn, is used to calculate the Repurchase Price.~~

~~“Purchase Date” means the date on which the Purchased Securities will be sold by Seller to Buyer.~~

~~“Purchased Securities” means the underlying securities to be sold by Seller to Buyer on the Purchase Date.~~

~~“Purchase Price” means the cash amount payable by Buyer to Seller for the Purchased Securities.~~

~~“RepoClear Contract” means a contract between Buyer and Seller on the basis of the Standard Terms and the Economic Terms, and references to “this RepoClear Contract” are to the particular RepoClear Contract in question.~~

~~“RepoClear Procedures” means the part of the Procedures of the Clearing House that contains provisions in respect of RepoClear Contracts.~~

~~“Repurchase Date” means, with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, the date on which Equivalent Securities will be sold by Buyer to Seller.~~

~~“Repurchase Price” with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55, or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, means, as of any date, the sum of the Purchase Price and the Price Differential as of such date.~~

~~“Term” means, with respect to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with Regulation 55, or from a Repo Trade in accordance with the provisions of Regulations 56 or Regulation 56A, the interval of time commencing with the Purchase Date and ending with the Repurchase Date.~~

#### ~~1. Economic Terms~~

~~In relation to this RepoClear Contract, the terms in (a) to (g) below (the “Economic Terms”) will: (i) where this RepoClear Contract is dealt with through an automated trade capture system, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.~~

~~The Economic Terms comprise details of:~~

- ~~(a) Buyer;~~
- ~~(b) Seller;~~
- ~~(c) Pricing Rate;~~
- ~~(d) Purchase Date;~~
- ~~(e) Purchase Price;~~
- ~~(f) Purchased Securities; and~~



~~(g) — Repurchase Date.~~

~~PROVIDED, however, that, when such information presented or input (as the case may be) by any RepoClear Participant specifies such RepoClear Participant as: (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear Contract.~~

~~2. — Standard Terms~~

~~2.1. — General~~

- ~~(a) — On the Purchase Date, Seller shall transfer the Purchased Securities to Buyer against payment of the Purchase Price by Buyer.~~
- ~~(b) — If this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, then on the Repurchase Date, Buyer shall transfer to Seller Equivalent Securities against the payment of the Repurchase Price by Seller.~~
- ~~(c) — Notwithstanding the use of expressions such as “margin”, and, if this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulations 56A, the use of expressions such as “Repurchase date”, “Repurchase Price” and “substitution”, which are used to reflect terminology used in the market for transactions of the kinds provided for in these Standard Terms, all right, title and interest in and to Purchased Securities and money transferred or paid under these Standard Terms and, if this RepoClear Contract has arisen from a Repo Trade all right, title and interest in Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Purchased Securities if this RepoClear Contract has arisen from a Repo Trade shall be an obligation to transfer Equivalent Securities.~~
- ~~(d) — Subject to the Default Rules, any Purchase Price, Repurchase Price and amounts in respect of Income Payment Dates (if applicable) in the same currency payable by either party to the other under this RepoClear Contract and any other RepoClear Contract on the same date shall be combined in a single calculation of a net sum payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.~~
- ~~(e) — Subject to the Default Rules, all securities of the same issue, denomination, currency and series, transferable by either party to the other under this RepoClear Contract and any other RepoClear Contract on the same date, whether this or any such other RepoClear Contract has arisen from a RepoClear Repo Transaction or from a RepoClear Bond Transaction in accordance with the provisions of Regulation 55, or from a Repo Trade or a Bond Trade in accordance with the provisions of Regulation 56 or Regulation 56A, shall be combined in a single calculation of a net quantity of securities transferable by one party to the other and the obligation to transfer the net quantity of securities shall be the only obligation of either party in respect of the securities so transferable and receivable.~~

## ~~2.2. Margin Maintenance~~

~~The provisions set out in the General Regulations and the Procedures in relation to margin and Collateral in respect of margin obligations shall be applicable to this RepoClear Contract. Any Collateral transferred in respect of variation margin obligations will be in the form of cash only.~~

## ~~2.3. Income Payments~~

~~If this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, where the Term of this RepoClear Contract extends over any Income Payment Date in respect of any Purchased Securities subject to this RepoClear Contract, Buyer shall make payment of such amounts in respect of such Income Payment Date in accordance with the RepoClear Procedures.~~

## ~~2.4. Payment and Transfer~~

- ~~(a) Each of the following insofar as it is applicable to this RepoClear Contract shall be paid or transferred, as the case may be, in accordance with the provisions set out in the RepoClear Procedures: the Purchase Price, the Repurchase Price, the Purchased Securities, the Equivalent Securities.~~
- ~~(b) In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and/or to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agree that it shall remain liable under this RepoClear Contract as principal.~~
- ~~(c) The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities, and if this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, in any Equivalent Securities, shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.~~

## ~~2.5. Withholding Tax Provisions~~

- ~~(a) All money payable by the RepoClear Clearing Member to the Clearing House in respect of this RepoClear Contract shall be paid free and clear of any deduction. Where however, a RepoClear Clearing Member is required by any applicable law or any taxation authority properly acting within the scope of its authority or power, to withhold or deduct any tax or duty from any payment due in respect of this RepoClear Contract, the RepoClear Clearing Member shall be entitled to withhold or deduct such tax or duty, and shall pay to the Clearing House such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by the Clearing House had no such taxes or duties been required to be withheld or deducted.~~
- ~~(b) All money payable by the Clearing House to the RepoClear Clearing Member in respect of this RepoClear Contract shall be paid free and clear of any deduction. Where however, the Clearing House is required by any applicable law or any~~

~~taxation authority properly acting within the scope of its authority or power, to withhold or deduct any tax or duty from any payment due in respect of this RepoClear Contract, the Clearing House shall be entitled to withhold or deduct such tax or duty. In such event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted, PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover and does recover the amount payable by it from another RepoClear Clearing Member in respect of any related RepoClear Contract.~~

## ~~2.6. Substitution~~

- ~~(a) This RepoClear Contract may be varied by the transfer by Buyer to Seller of securities equivalent to the Purchased Securities in exchange for the transfer by Seller to Buyer of other securities, in accordance with the provisions of the RepoClear Procedures.~~
- ~~(b) Notwithstanding the provisions of the RepoClear Procedures, where this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, and the Repurchase Date is not the Business Day immediately following the Purchase Date, Seller shall have the right (subject to the proviso to this paragraph 2.6(b)) by notice to Buyer (such notice to be given in accordance with the RepoClear Procedures) to vary this RepoClear Contract in accordance with the provisions of the RepoClear Procedures; provided, however, that Buyer may elect by close of business on the Business Day on which such notice is received (or by close of business on the next Business Day if notice is received after the time specified in the RepoClear Procedures for the giving of such notice) not to vary this RepoClear Contract. If Buyer elects not to vary this RepoClear Contract, Seller shall have the right, by notice to Buyer, to terminate this RepoClear Contract on the Business Day specified in that notice, such Business Day not to be later than two Business Days after the date of the notice.~~
- ~~(c) Notwithstanding the provisions of the Default Rules, where the RepoClear Clearing Member is Seller and the Clearing House is Buyer in respect of this RepoClear Contract and the RepoClear Clearing Member exercises its right to vary this RepoClear Contract or to terminate this RepoClear Contract under paragraph 2.6(b), the RepoClear Clearing Member shall be required to pay to the Clearing House by close of business on the Business Day of such variation or termination an amount equal to such amount that the Clearing House determines, in its sole and absolute discretion, that is payable in respect of any related RepoClear Contract by the Clearing House (in its capacity as Seller in respect of such related RepoClear Contract) to a RepoClear Clearing Member in respect of such related RepoClear Contract (in its capacity as Buyer in respect of such related RepoClear Contract).~~
- ~~(d) Notwithstanding the provisions of the Default Rules, where the Clearing House is Seller and the RepoClear Clearing Member is Buyer in respect of this RepoClear Contract and the Clearing House exercises its right to vary this RepoClear Contract~~

~~or to terminate this RepoClear Contract under paragraph 2.6(b), the Clearing House shall be required to pay to the RepoClear Clearing Member by close of business on the Business Day of such variation or termination an amount equal to:~~

- ~~(i) the RepoClear Clearing Member's actual cost (including all fees, expenses and commissions) of (aa) entering into replacement transactions; (bb) entering into or terminating hedge transactions; and (cc) terminating or varying transactions with third parties in connection with or as a result of such variation or termination; and~~
- ~~(ii) to the extent that the RepoClear Clearing Member does not enter into replacement transactions, the loss incurred by the RepoClear Clearing Member directly arising or resulting from such variation or termination,~~

~~in each case as determined and calculated in good faith by the RepoClear Clearing Member; PROVIDED, however, that the Clearing House shall only be required to pay such amount to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear Contract.~~

#### ~~2.7. — Regulations~~

~~This RepoClear Contract shall be subject to the Regulations, which shall form a part of its terms.~~

#### ~~2.8. — "When Issued" Securities~~

~~Where the subject matter of this RepoClear Contract is RepoClear Eligible Securities which have not yet been issued at the time this contract comes into being, in the event that such securities are not issued by the issuer this RepoClear Contract shall be null and void ab initio, and the only liability shall be that of the Clearing House to return to the RepoClear Clearing Member of any margin held by it, subject to compliance by the RepoClear Clearing Member with all the requirements of these Regulations and Procedures in respect of such RepoClear Contract.~~

#### ~~2.9. — Governing Law~~

~~This RepoClear Contract shall be governed by, and construed in accordance with, English law and the parties hereby submit to the jurisdiction of the English courts.~~

#### ~~2.10. — Third Party Rights~~

~~A person who is not a party to this RepoClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this RepoClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part B****Product Eligibility Criteria for Registration of a RepoClear Contract**~~1. Eligibility Criteria~~

~~1.1 Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear Transaction, Repo Trade or a Bond Trade as a RepoClear Contract pursuant to receipt of details of such RepoClear Transaction, Repo Trade or Bond Trade where at the time the details are presented:~~

~~(a) subject to 1.2 below, such RepoClear Transaction, Repo Trade or Bond Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 or 3.1 and 3.2 below (as the case may be), and the securities appear in the list published for this purpose from time to time by the Clearing House; and~~

~~(b) the details of such RepoClear Transaction, Repo Trade or Bond Trade are submitted for registration in accordance with the Regulations, the Procedures and all such other requirements from time to time of the Clearing House; and~~

~~(c) the parties to such RepoClear Transaction, Repo Trade or Bond Trade are RepoClear Participants,~~

~~and the requirements of (a) to (c) inclusive continue to be satisfied at Registration Time.~~

~~1.2 German Government Debt Securities made available for trading on day of auction:~~

~~1.2.1 Where a RepoClear Transaction, Repo Trade or Bond Trade is a trade of RepoClear Eligible Securities which are to be auctioned by the German Government, and the trade is submitted from an Approved Trade Matching System, or Automated Trading System (as referred to in Regulation 56 or Regulation 56A), on the day on which such securities are to be auctioned, then the Clearing House shall register such trade PROVIDING THAT the requirements of 1.1 above are satisfied and the German Government proceeds to issue such securities; in the event that the German Government decides, on the basis of the auction, not to proceed to issue the securities;~~

~~1.2.1.1 any such RepoClear Transaction, shall be deemed to be null and void and the Clearing House will reject it. In such circumstances, no RepoClear Contracts will arise with the Clearing House; and~~

~~1.2.1.2 any RepoClear Contract already registered by the Clearing House, whether arising from a RepoClear Transaction or a Repo Trade or Bond Trade, shall be deemed to be void ab initio.~~

~~1.2.2 The first valid settlement day for a RepoClear Transaction, Repo Trade or Bond Trade referred to in 1.2.1 above shall be trade day plus two days (T+2).~~

~~1.3 United Kingdom Government Debt Securities made available for trading prior to issue date:~~

- ~~1.3.1~~ — Where a RepoClear Transaction, Repo Trade or Bond Trade is a trade of RepoClear Eligible Securities which are to be issued by the United Kingdom Government, and the trade is submitted from an Approved Trade Matching System, or Automated Trading System (as referred to in Regulation 56 or Regulation 56A), on a day prior to the day on which such securities are to be issued, then the Clearing House shall register such trade **PROVIDING THAT** the requirements of 1.1 above are satisfied and the United Kingdom Government proceeds to issue such securities; in the event that the United Kingdom Government decides not to proceed to issue the securities:
- ~~1.3.2~~ — any such RepoClear Transaction shall be deemed to be null and void and the Clearing House will reject it. In such circumstances, no RepoClear Contracts will arise with the Clearing House; and
- ~~1.3.2.1~~ any RepoClear Contract already registered by the Clearing House, whether arising from a RepoClear Transaction or a Repo Trade or Bond Trade, shall be deemed to be void ab initio.
- ~~1.3.3~~ — The first valid settlement date for a RepoClear Transaction, Repo Trade or Bond Trade referred to in 1.3.1 above, shall be issue date plus one day (T+1).
- ~~1.4~~ — Where the Clearing House rejects any RepoClear Transaction in the circumstances set out in 1.2 or 1.3 above, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability, and where a RepoClear Contract is deemed void ab initio in such circumstances, the only liability shall be that of the Clearing House to return to the relevant RepoClear Clearing Member/s of any margin held by it, subject to compliance by the relevant RepoClear Clearing Members with all the requirements of these Regulations and Procedures in respect of such RepoClear Contract.
- ~~1.5~~ — For the purposes of this Part B of the Schedule to the RepoClear Regulations, “**RepoClear Operating Day**” means any RepoClear Opening Day (see Section 2B.2.1) and is also a day when all Approved Depository Systems (as defined in section 2B of the RepoClear Procedures) for the category of the securities are operational for the completion of transfer of those Securities.

## ~~2.~~ — **Repo Trades and RepoClear Repo Transactions**

### ~~2.1~~ — ***Product Eligibility Criteria for a Repo Trade or RepoClear Repo Transaction***

### ~~2.2~~ — ***Eligible Securities for a Repo Trade or RepoClear Repo Transaction***

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

#### ~~2.2.1~~ — **Government Debt Securities**

#### ~~2.2.2~~ — **Other Bonds**

~~The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 2.1 and 2.2 above to be RepoClear Eligible Securities.~~

### ~~3. **Bond Trades and RepoClear Bond Transactions**~~

#### ~~3.1 **Product Eligibility Criteria for a Bond Trade or RepoClear Bond Transaction**~~

#### ~~3.2 **Eligible Securities for a Bond Trade or RepoClear Bond Transaction**~~

~~The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.~~

##### ~~3.2.1 **Government Debt Securities**~~

##### ~~3.2.2 **Other Bonds**~~

~~The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 3.1 and 3.2 above to be RepoClear Eligible Securities.~~

**~~SCHEDULE TO THE REPOCLEAR REGULATIONS~~**

**~~Part C~~**

**~~LCH GC Repo Contract Terms~~**

~~PART C of the Schedule to the RepoClear Regulations has been deleted as the service offering for LCH GC Repo has been withdrawn for the time being.~~



**~~SCHEDULE TO THE REPOCLEAR REGULATIONS~~**

**~~Part D~~**

**~~Product Eligibility Criteria for Registration of a LCH GC Repo Contract~~**

~~PART D of the Schedule to the RepoClear Regulations has been deleted as the service offering for LCH GC Repo has been withdrawn for the time being.~~

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part E****~~RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades~~**

~~Where a RepoClear SGC Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear SGC Contract shall include these REPOCLEAR SGC CONTRACT TERMS, which shall comprise:~~

- ~~(1) Interpretation section;~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms.~~

**Interpretation Section**

~~Save as otherwise specified herein, words and phrases defined elsewhere in this Rulebook shall have the same meanings in these RepoClear SGC Contract Terms.~~

~~In the event of any inconsistency between these RepoClear SGC Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.~~

~~As used in these RepoClear SGC Contract Terms:~~

~~“Closing Cash Amount” means the cash amount identified in the Economic Terms as set out in paragraph 1 below.~~

~~“Daily Cash Amount” means, on any SGC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.5(c).~~

~~“Daily Equivalent Securities” means, on any day, the net securities transferable by either party to the other, calculated under paragraph 2.5(b).~~

~~“Daily Purchased Securities” means, on any SGC Day, the net securities transferable by either party to the other, calculated under paragraph 2.5(a).~~

~~“Daily Return Amount” means, on any SGC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.5(d).~~

~~“Eligible Securities” means securities of any issue of securities comprised in a SGC Basket.~~

~~“Eligible SGC Basket” means an SGC Basket which appears in the list containing details of all Eligible SGC Baskets published for this purpose from time to time by the Clearing House.~~

~~“Eligible SGC Trade” means a RepoClear SGC Transaction or SGC Trade, as applicable.~~

~~“End Date” means the last day upon which Equivalent Securities will be delivered by the Buyer to the Seller in accordance with these RepoClear SGC Contract Terms, as stated in the Economic Terms.~~

~~“**Equivalent Securities**” means, on any day, securities equivalent to the Purchased Securities that were transferred by Seller to Buyer on the immediate preceding SGC Day.~~

~~Securities are “**equivalent to**” other securities for the purposes of these RepoClear SGC Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; and (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.~~

~~“**Interest**” means with regard to this RepoClear SGC Contract, the amount obtained by deducting the Opening Cash Amount from the Closing Cash Amount.~~

~~“**Last SGC Date**” means, with regard to this RepoClear SGC Contract, the last date upon which Purchased Securities will be sold by Seller to Buyer in accordance with these RepoClear SGC Contract Terms.~~

~~“**Opening Cash Amount**” means the cash amount identified in the Economic Terms as set out paragraph 1 below.~~

~~“**Purchased Securities**” means, on any SGC Day, Eligible Securities transferable by Seller to Buyer on that SGC Day under these RepoClear SGC Contract Terms.~~

~~“**RepoClear Procedures**” means the part of the Rulebook of the Clearing House that contains provisions in respect of RepoClear SGC Contracts.~~

~~“**RepoClear SGC Contract**” means a RepoClear SGC Contract between Buyer and Seller on the RepoClear SGC Contract Terms and references to “this RepoClear SGC Contract” are to the particular RepoClear SGC Contract in question.~~

~~“**Return Amount**” means a cash amount which is equivalent in value to, and in the same currency as, the Opening Cash Amount.~~

~~“**SGC Basket**” means the issues of securities published by the Clearing House from time to time in accordance with the RepoClear Procedures which, together, comprise a basket of securities.~~

~~“**SGC Cut-Off Time**” means such time on each SGC day as is set out in the RepoClear Procedures (as the time after which on that day no further Eligible SGC Trades will be accepted by the Clearing House for registration which are to be settled on the same SGC day).~~

~~“**SGC Day**” means any day of the Term on which the RepoClear SGC Service operates.~~

~~“**Start Date**” means the SGC Day being the first day upon which Purchased Securities will be sold by Seller to Buyer as stated in the Economic Terms and in accordance with these RepoClear SGC Contract Terms.~~

~~“**Term**” means the interval of time commencing on and including the Start Date and ending on and including the Last SGC Date.~~

~~“**Underlying SGC Basket**” means the SGC Basket identified in the Economic Terms of a RepoClear SGC Contract.~~

#### ~~1. Economic Terms~~

~~In relation to this RepoClear SGC Contract, the terms in (a) to (h) below (the “Economic Terms”) will (i) where this RepoClear SGC Contract is dealt with through an Approved Trade Matching System, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear SGC Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System. The Economic Terms comprise details of:~~

- ~~(a) Buyer;~~
- ~~(b) Seller;~~
- ~~(c) Underlying SGC Basket (identified by ISIN);~~
- ~~(d) Trade date and time;~~
- ~~(e) Start Date;~~
- ~~(f) End Date;~~
- ~~(g) Opening Cash Amount;~~
- ~~(h) Closing Cash Amount;~~

~~PROVIDED, however, that, when such information presented or input (as the case may be) by any RepoClear Participants specifies such RepoClear Participant as (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear SGC Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear SGC Contract.~~

#### ~~2. Standard Terms~~

~~2.1 RepoClear SGC Contracts shall arise in accordance with the Rulebook and shall be on these RepoClear SGC Contract Terms.~~

##### ~~Allocation of Eligible Securities~~

~~2.2 On each SGC Day of this RepoClear SGC Contract, Seller agrees that Purchased Securities shall be allocated from the Underlying SGC Basket in accordance with the terms of this RepoClear SGC Contract and the RepoClear Procedures. Purchased Securities may be allocated from more than one issue of securities in the Underlying SGC Basket. Following the application of paragraph 2.5, the value of Daily Purchased Securities to be allocated on any SGC Day shall be equal to the Daily Cash Amount (subject to any minor discrepancies in value attributable to allocation methodologies as contemplated within the RepoClear Procedures from time to time).~~

~~2.3 [ ]:~~

##### ~~Transfer of Securities and Cash~~

~~2.4 Subject to paragraph 2.5 below:~~

- ~~(a) on the Start Date and each subsequent SGC Day, Seller shall transfer Purchased Securities to Buyer against payment of the Opening Cash Amount by Buyer, in accordance with the RepoClear Procedures.~~
- ~~(b) on the SGC Day immediately after the Start Date and on each subsequent SGC Day and also the End Date, Buyer shall transfer Equivalent Securities to Seller against payment of the Return Amount, in accordance with the RepoClear Procedures.~~

~~2.5 Subject to the Default Rules:~~

- ~~(a) the value of Purchased Securities transferable by Seller to Buyer under this RepoClear SGC Contract on any SGC Day and the value of Purchased Securities transferable by either party to the other under any other open RepoClear SGC Contract relating to the same Underlying SGC Basket on the same day shall be combined into a single calculation of a net value of securities of that SGC Basket transferable by one party to the other and the obligation to transfer securities of that net value and of that SGC Basket (the “**Daily Purchased Securities**”) through the CREST DBV System on that day shall be the only obligation of either party in respect of all Purchased Securities so transferable and receivable on that day;~~
- ~~(b) the Equivalent Securities transferable by Buyer to Seller under this RepoClear SGC Contract on any day and the Equivalent Securities transferable by either party to the other under any other open RepoClear SGC Contract relating to the same Underlying SGC Basket on the same day shall be replaced by a single obligation by one party (the “**delivering party**”) to transfer on that day to the other party (the “**receiving party**”) through the CREST DBV System securities equivalent to the Daily Purchased Securities that were transferred on the previous SGC Day by the receiving party to the delivering party (the “**Daily Equivalent Securities**”), and that obligation to transfer the Daily Equivalent Securities shall be the only obligation of either party in respect of all Equivalent Securities so transferable and receivable on that day;~~
- ~~(c) the Opening Cash Amount transferable by Buyer to Seller under this RepoClear SGC Contract on any SGC Day and any Opening Cash Amount transferable by either party to the other under any other open RepoClear SGC Contract on the same day shall be combined in a single calculation of a net cash amount (“**the Daily Cash Amount**”) transferable by one party to the other and the obligation to transfer the Daily Cash Amount shall be the only obligation of either party in respect of all Opening Cash Amounts so transferable and receivable on that day;~~
- ~~(d) the Return Amount transferable by Seller to Buyer under this RepoClear SGC Contract on any day and any Return Amount transferable by either party to the other under any other open RepoClear SGC Contract on the same day shall be replaced by a single net obligation by one party (the “**paying party**”) to transfer to the other party (the “**receiving party**”) on that day cash equivalent in amount to, and of the same currency as, the Daily Cash Amount that was transferred on the previous SGC Day by the receiving party to the paying party (“**the Daily Return Amount**”), and that obligation to transfer the Daily Return Amount~~

~~shall be the only obligation of either party in respect of all Return Amounts so transferable and receivable on that day;~~

~~PROVIDED ALWAYS THAT any obligation of a party to transfer any Daily Cash Amount shall not be combined with any obligation of a party to transfer any Daily Return Amount arising on the same day and payment of such Daily Cash Amount shall be made gross and separate from such Daily Return Amount in accordance with the RepoClear Procedures.~~

#### ~~Terminology~~

~~2.6 Notwithstanding the use of expressions such as “margin”, “Equivalent Securities”, “Opening Cash Amount”, “Purchased Securities”, “Daily Cash Amount”, “Daily Return Amount”, “Daily Purchased Securities” and “Daily Equivalent Securities” which are used to reflect terminology used in the market for transactions of the kinds provided for in these RepoClear SGC Contract Terms, all right, title and interest in and to Daily Purchased Securities, Daily Cash Amount and Daily Return Amount transferred or paid under these RepoClear SGC Contract Terms and, all right, title and interest in Daily Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Daily Purchased Securities on any SGC Day shall be an obligation to transfer Daily Equivalent Securities on the next following day, at such time as is set out in the RepoClear Procedures.~~

#### ~~Interest~~

~~2.7 Seller shall pay the Interest to Buyer on the End Date in accordance with these RepoClear SGC Contract Terms and the RepoClear Procedures.~~

~~2.8 Subject to the Default Rules, Interest payable under this RepoClear SGC Contract and Interest payable by either party to the other under any other RepoClear SGC Contract with the same End Date shall be combined in a single calculation of a net cash amount payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.~~

#### ~~Payment and Transfer~~

~~2.9 Each of the following insofar as it is applicable to this RepoClear SGC Contract, shall be paid or transferred in accordance with the provisions set out in the RepoClear Procedures: Daily Purchased Securities; Daily Equivalent Securities; Daily Cash Amount; Daily Return Amount; Interest.~~

~~2.10 In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agrees that it shall remain liable under this RepoClear SGC Contract as principal.~~

~~2.11 The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities, and in any Equivalent Securities, shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.~~

### ~~3. General~~

#### ~~Margin Maintenance~~

~~3.1 — The provisions set out in the General Regulations and the Procedures in relation to margin and Collateral in respect of for margin obligations shall be applicable to this RepoClear SGC Contract. Any Collateral transferred in respect of variation margin obligations will be in the form of cash only.~~

#### ~~Withholding Tax Provisions~~

~~3.2 — All money payable by a RepoClear Clearing Member to the Clearing House in respect of this RepoClear SGC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the RepoClear Clearing Member shall pay such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted.~~

~~3.3 — All money payable by the Clearing House to a RepoClear Clearing Member in respect of this RepoClear SGC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted; PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear SGC Contract.~~

#### ~~Regulations~~

~~3.4 — This RepoClear SGC Contract shall be subject to the Regulations, which shall form a part of its terms.~~

#### ~~Governing Law~~

~~3.5 — This RepoClear SGC Contract shall be governed by and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.~~

#### ~~Third Party Rights~~

~~3.6 — A person who is not a party to this RepoClear SGC Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of his RepoClear SGC Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part F****Product Eligibility Criteria for Registration of a RepoClear SGC Contract****1. ~~Eligibility Criteria~~**

~~Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear SGC Transaction or a SGC Trade as a RepoClear SGC Contract pursuant to receipt of details of such RepoClear SGC transaction or SGC Trade where at the time the details are presented:~~

- ~~(a) RepoClear SGC Transaction or SGC Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 and the Underlying SGC Basket appears in the list containing details of all Eligible SGC Baskets published for this purpose from time to time by the Clearing House; and~~
- ~~(b) the details of such RepoClear SGC Transaction or SGC Trade are submitted for registration in accordance with the Rulebook and all such other requirements from time to time of the Clearing House; and~~
- ~~(c) the parties to such RepoClear SGC Transaction or SGC Trade are RepoClear Participants;~~

~~and the requirements of (a) to (c) inclusive continue to be satisfied at Registration Time.~~

**2. ~~RepoClear SGC Transactions and SGC Trades~~****2.1 ~~Product Eligibility Criteria for a RepoClear SGC Transaction or RepoClear SGC Trade~~****2.2 ~~Eligible SGC Baskets for a RepoClear SGC Transaction or SGC Trade~~**

~~The following SGC Baskets are available for trading as subject to these Rulebook provisions:~~

- ~~(a) British Government Unstripped Sterling SGC Basket; Eligible Securities in this SGC Basket are such Unstripped British Government bonds as are published from time to time by the Clearing House on the LCH.Clearent Member only web site.~~



**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part G****~~RepoClear €GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades~~**

~~Where a RepoClear €GC Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear €GC Contract shall include these REPOCLEAR €GC CONTRACT TERMS, which shall comprise:~~

- ~~(1) — Interpretation section;~~
- ~~(2) — Economic Terms; and~~
- ~~(3) — Standard Term.~~

**Interpretation Section**

~~Save as otherwise specified herein, words and phrases defined elsewhere in this Rulebook shall have the same meanings in these RepoClear €GC Contract Terms.~~

~~In the event of any inconsistency between these RepoClear €GC Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.~~

~~As used in these RepoClear €GC Contract Terms:~~

~~“AutoAssign Supplement” means the CBL arrangement outlining services facilitating selection of securities for €GC Contracts.~~

~~“AutoSelect” means the Euroclear electronic processing module facilitating the selection of securities for €GC Contracts.~~

~~“CBL” means Clearstream Banking Limited.~~

~~“Closing Cash Amount” means the cash amount identified in the Economic Terms as set out in paragraph 1 below.~~

~~“Daily Cash Amount” means, on any €GC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.4(e).~~

~~“Daily Equivalent Securities” means, on any day, the net securities transferable by either party to the other, calculated under paragraph 2.4(b).~~

~~“Daily Purchased Securities” means, on any €GC Day, the net securities transferable by either party to the other, calculated under paragraph 2.4(a).~~

~~“Daily Return Amount” means, on any €GC Day, the net cash amount payable by either party to the other, calculated under paragraph 2.4(d).~~

~~“Eligible €GC Basket” means a €GC Basket which appears in the list containing details of all Eligible €GC Baskets published for this purpose from time to time by the Clearing House.~~

~~“**Eligible €GC Trade**” means a RepoClear €GC Transaction or €GC Trade, as applicable.~~

~~“**Eligible Securities**” means securities of any issue of securities comprised in a €GC Basket.~~

~~“**End Date**” means the last day upon which Equivalent Securities will be delivered by the Buyer to the Seller in accordance with these RepoClear €GC Contract Terms, as stated in the Economic Terms.~~

~~“**Equivalent Securities**” means, on any day, securities equivalent to the Purchased Securities that were transferred by Seller to Buyer on the immediate preceding €GC Day.~~

~~Securities are “**equivalent to**” other securities for the purposes of these RepoClear €GC Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; and (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.~~

~~“**Euroclear**” means Euroclear Bank.~~

~~“**€GC Basket**” means the issues of securities recognised by the Clearing House in accordance with the RepoClear Procedures which, together, comprise each basket of securities as set out in Part H of the Schedule to the RepoClear Regulations.~~

~~“**€GC Cut-Off Time**” means such time on each €GC day as is set out in the RepoClear Procedures (as the time after which on that day no further Eligible €GC Trades will be accepted by the Clearing House for registration which are to settled on the same €GC day).~~

~~“**€GC Day**” means any day of the Term on which the RepoClear €GC service operates.~~

~~“**Euro Zone Countries**” means the countries which are member states of the European Union who have adopted the euro currency union.~~

~~“**Interest**” means with regard to this RepoClear €GC Contract, the amount obtained by deducting the Opening Cash Amount from the Closing Cash Amount.~~

~~“**Last €GC Date**” means, with regard to this RepoClear €GC Contract, the last date upon which Purchased Securities will be sold by Seller to Buyer in accordance with these RepoClear €GC Contract Terms.~~

~~“**Opening Cash Amount**” means the cash amount identified in the Economic Terms as set out in paragraph 1 below.~~

~~“**Purchased Securities**” means on any €GC Day, Eligible Securities transferable by Seller to Buyer on that €GC Day under these RepoClear €GC Contract Terms.~~

~~“**RepoClear Procedures**” means the part of the Rulebook of the Clearing House that contains provisions in respect of RepoClear €GC Contracts.~~

~~“**RepoClear €GC Contract**” means a RepoClear €GC Contract between Buyer and Seller on these RepoClear €GC Contract Terms and references to “this RepoClear €GC Contract” are to the particular RepoClear €GC Contract in question.~~

~~“**Return Amount**” means a cash amount which is equivalent in value to, and in the same currency as, the Opening Cash Amount.~~

~~“Start Date” means the €GC Day being the first day upon which Purchased Securities will be sold by Seller to Buyer as stated in the Economic Terms and in accordance with these RepoClear €GC Contract Terms.~~

~~“Triparty Agent” means CBL, Euroclear or any other agent as the Clearing House may appoint from time to time.~~

~~“Term” means the interval of time commencing on and including the Start Date and ending on and including the Last €GC Date.~~

~~“Underlying €GC Basket” means the €GC Basket identified in the Economic Terms of a RepoClear €GC Contract.~~

#### ~~4. Economic Terms~~

~~In relation to this RepoClear €GC Contract, the terms in (a) to (g) below (the “Economic Terms”) will (i) where this RepoClear €GC Contract is dealt with through an Approved Trade Matching System, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear €GC Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System. The Economic Terms comprise details of:~~

- ~~(a) Buyer;~~
- ~~(b) Seller;~~
- ~~(c) Underlying €GC Basket (identified by ISIN);~~
- ~~(d) Trade date and time;~~
- ~~(e) Start Date;~~
- ~~(f) End Date;~~
- ~~(g) Opening Cash Amount;~~
- ~~(h) Closing Cash Amount;~~

~~PROVIDED, however, that, when such information presented or input (as the case may be) by any RepoClear Participants specifies such RepoClear Participant as (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear €GC Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear €GC Contract.~~

#### ~~2. Standard Terms~~

~~2.1 RepoClear €GC Contracts shall arise in accordance with the Rulebook and shall be on these RepoClear €GC Contract Terms.~~

##### ~~Allocation of Eligible Securities~~

~~2.2 On each €GC Day of this RepoClear €GC Contract, Seller agrees that Purchased Securities shall be allocated from the Underlying €GC Basket in accordance with the terms of this RepoClear €GC Contract and the RepoClear Procedures. Purchased~~

~~Securities may be allocated from more than one issue of securities in the Underlying €GC Basket. Following the application of paragraph 2.4, the value of Daily Purchased Securities to be allocated on any €GC Day shall be equal to the Daily Cash Amount (subject to any discrepancies in value attributable to allocation methodologies as contemplated within the RepoClear Procedures from time to time).~~

#### ~~Transfer of Securities and Cash~~

~~2.3 Subject to paragraph 2.4 below:~~

- ~~(a) on the Start Date and each subsequent €GC Day, Seller shall transfer Purchased Securities to Buyer against payment of the Opening Cash Amount by Buyer, in accordance with the RepoClear Procedures;~~
- ~~(b) on the €GC Day immediately after the Start Date and on each subsequent €GC Day and also the End Date, Buyer shall transfer Equivalent Securities to Seller against payment of the Return Amount, in accordance with the RepoClear Procedures.~~

~~2.4 Subject to the Default Rules:~~

- ~~(a) the value of Purchased Securities transferable by Seller to Buyer under this RepoClear €GC Contract on any €GC Day and the value of Purchased Securities transferable by either party to the other under any other open RepoClear €GC Contract relating to the same Underlying €GC Basket on the same day shall be combined into a single calculation of a net value of securities of that €GC Basket transferable by one party to the other and the obligation to transfer securities of that net value and of that €GC Basket (the “**Daily Purchased Securities**”) through either CBL’s service under the AutoAssign Supplement, Euroclear’s AutoSelect service or any other equivalent service provided by a Triparty Agent, as the case may be, on that day shall be the only obligation of either party in respect of all Purchased Securities in relation to that €GC Basket so transferable and receivable on that day;~~
- ~~(b) the Equivalent Securities transferable by Buyer to Seller under this RepoClear €GC Contract on any day and the Equivalent Securities transferable by either party to the other under any other open RepoClear €GC Contract relating to the same Underlying €GC Basket on the same day shall be replaced by a single obligation by one party (the “**delivering party**”) to transfer on that day to the other party (the “**receiving party**”) in the same manner as set out above at 2.4(a) securities equivalent to the Daily Purchased Securities that were transferred on the previous €GC Day by the receiving party to the delivering party (the “**Daily Equivalent Securities**”), and that obligation to transfer the Daily Equivalent Securities shall be the only obligation of either party in respect of all Equivalent Securities in relation to that €GC Basket so transferable and receivable on that day;~~
- ~~(c) the Opening Cash Amount transferable by Buyer to Seller under this RepoClear €GC Contract on any €GC Day and any Opening Cash Amount transferable by either party to the other under any other open RepoClear €GC Contract in relation to the same Underlying €GC Basket on the same day shall be combined in a single calculation of a net cash amount (“**the Daily Cash Amount**”)~~

~~transferable by one party to the other and the obligation to transfer the Daily Cash Amount shall be the only obligation of either party in respect of all Opening Cash Amounts in relation to the same Underlying €GC Basket so transferable and receivable on that day;~~

- ~~(d) the Return Amount transferable by Seller to Buyer under this RepoClear €GC Contract on any day and any Return Amount transferable by either party to the other under any other open RepoClear €GC Contract in relation to the same Underlying €GC Basket on the same day shall be replaced by a single net obligation by one party (the “**paying party**”) to transfer to the other party (the “**receiving party**”) on that day cash equivalent in amount to, and of the same currency as, the Daily Cash Amount that was transferred on the previous €GC Day by the receiving party to the paying party (“**the Daily Return Amount**”); and that obligation to transfer the Daily Return Amount shall be the only obligation of either party in respect of all Return Amounts in relation to the same Underlying €GC Basket so transferable and receivable on that day;~~

~~PROVIDED ALWAYS THAT any obligation of a party to transfer any Daily Cash Amount shall not be combined with any obligation of a party to transfer any Daily Return Amount arising on the same day and payment of such Daily Cash Amount shall be made gross and separate from such Daily Return Amount in accordance with the RepoClear Procedures.~~

#### ~~Terminology~~

- ~~2.5 Notwithstanding the use of expressions such as “margin”, “Equivalent Securities”, “Opening Cash Amount”, “Purchased Securities”, “Daily Cash Amount”, “Daily Return Amount”, “Daily Purchased Securities” and “Daily Equivalent Securities” which are used to reflect terminology used in the market for transactions of the kinds provided for in these RepoClear €GC Contract Terms, all right, title and interest in and to Daily Purchased Securities, Daily Cash Amount and Daily Return Amount transferred or paid under these RepoClear €GC Contract Terms and, all right, title and interest in Daily Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Daily Purchased Securities on any €GC Day shall be an obligation to transfer Daily Equivalent Securities on the next following day, at such time as is set out in the RepoClear Procedures.~~

#### ~~Interest~~

- ~~2.6 Seller shall pay the Interest to Buyer on the End Date in accordance with these RepoClear €GC Contract Terms and the RepoClear Procedures.~~
- ~~2.7 Subject to the Default Rules, Interest payable under this RepoClear €GC Contract and Interest payable by either party to the other under any other RepoClear €GC Contract with the same End Date and settled through the same Triparty Agent shall be combined in a single calculation of a net cash amount payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.~~

#### ~~Payment and Transfer~~

- ~~2.8 Each of the following, insofar as it is applicable to this RepoClear €GC Contract, shall be paid or transferred in accordance with the provisions set out in the RepoClear Procedures: Daily Purchased Securities; Daily Equivalent Securities; Daily Cash Amount; Daily Return Amount; Interest.~~

~~2.9 — In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agrees that it shall remain liable under this RepoClear €GC Contract as principal.~~

~~2.10 — The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities and in any Equivalent Securities shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.~~

### ~~3. — General~~

#### ~~Margin Maintenance~~

~~3.1 — The provisions set out in the General Regulations and the Procedures in relation to margin and Collateral in respect of margin obligations shall be applicable to this RepoClear €GC Contract. Any Collateral transferred in respect of variation margin obligations will be in the form of cash only and will be denominated in Euro.~~

#### ~~Withholding Tax Provisions~~

~~3.2 — All money payable by a RepoClear Clearing Member to the Clearing House in respect of this RepoClear €GC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the RepoClear Clearing Member shall pay such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted.~~

~~3.3 — All money payable by the Clearing House to a RepoClear Clearing Member in respect of this RepoClear €GC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted; PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear €GC Contract.~~

#### ~~Regulations~~

~~3.4 — This RepoClear €GC Contract shall be subject to the Regulations, which shall form a part of its terms.~~

#### ~~Governing Law~~

~~3.5 — This RepoClear €GC Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.~~

~~Third Party Rights~~

~~3.6 — A person who is not a party to this RepoClear €GC Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of his RepoClear €GC Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

**SCHEDULE TO THE REPOCLEAR REGULATIONS****Part H****Product Eligibility Criteria for Registration of A RepoClear €GC Contract****1. ~~Eligibility Criteria~~**

~~Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear €GC Transaction or a €GC Trade as a RepoClear €GC Contract pursuant to receipt of details of such RepoClear €GC Transaction or €GC Trade where at the time the details are presented:~~

- ~~(a) RepoClear €GC Transaction or €GC Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 and the Underlying €GC Basket appears in the list containing details of all Eligible €GC Baskets published for this purpose from time to time by the Clearing House; and~~
- ~~(b) the details of such RepoClear €GC Transaction or €GC Trade are submitted for registration in accordance with the Rulebook and all such other requirements from time to time of the Clearing House; and~~
- ~~(c) the parties to such RepoClear €GC Transaction or €GC Trade are RepoClear Participants;~~

~~and the requirements of (a) to (c) inclusive continue to be satisfied at Registration Time.~~

**2. ~~RepoClear €GC Transactions and €GC Trades~~****2.1 ~~Product Eligibility Criteria for a RepoClear €GC Transaction or RepoClear €GC Trade~~****2.2 ~~Eligible €GC Baskets for a RepoClear €GC Transaction or €GC Trade~~**

~~The following €GC Baskets are available for trading as subject to these Rulebook provisions:~~

**~~Eligible €GC Baskets for settlement at Euroclear Bank~~**

- ~~(1) RepoClear €GC AAA Euro Government Bond Basket (EB) ISIN code XS0334393260~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AAA.~~

- ~~(2) RepoClear €GC AA Euro Government Bond Basket (EB) ISIN code XS0334393187~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AA or AAA.~~

- ~~(3) RepoClear €GC A Euro Government Bond Basket (EB) ISIN code XS0334392965~~



~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is A, AA or AAA.~~

~~(4) RepoClear €GC German Government Bond Basket (EB) ISIN code XS0417057287~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt.~~

~~(5) RepoClear €GC German Sub 10 Government Bond Basket (EB) ISIN code XS0434408539~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt with less than 10 years to maturity.~~

~~(6) RepoClear €GC French Government Bond Basket (EB) ISIN code XS0417060588~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated French government debt.~~

~~(7) RepoClear €GC Spanish Government Bond Basket (EB) ISIN code XS0417076584~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Spanish government debt.~~

~~(8) RepoClear €GC Dutch Government Bond Basket (EB) ISIN code XS0417074969~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Dutch government debt.~~

~~(9) RepoClear €GC Belgian Government Bond Basket (EB) ISIN code XS0417076741~~

~~Eligible Securities in this €GC Basket are such issues of Securities that are euro-denominated Belgian government debt.~~

~~(10) RepoClear €GC Italian Government Bond Basket (EB) ISIN code XS0417087607~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Italian government debt~~

***Eligible €GC Baskets for settlement at Clearstream Bank Luxembourg***

~~(11) RepoClear €GC AAA Euro Government Bond Basket (CBL) ISIN code XS0333936523~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AAA.~~

~~(12) — RepoClear €GC AA Euro Government Bond Basket (CBL) — ISIN code XS0333972080~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AA or AAA.~~

~~(13) — RepoClear €GC A Euro Government Bond Basket (CBL) — ISIN code XS0334012647~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the combined credit rating of the country is A, AA or AAA.~~

~~(14) — RepoClear €GC German Government Bond Basket (CBL) ISIN: XS0414733989~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt.~~

~~(15) — RepoClear €GC German Sub 10 Government Bond Basket (CBL) ISIN: XS0432413200~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt with less than 10 years to maturity.~~

~~(16) — RepoClear €GC French Government Bond Basket (CBL) ISIN: XS0414742626~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated French government debt.~~

~~(17) — RepoClear €GC Spanish Government Bond Basket (CBL) ISIN: XS0414744325~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Spanish government debt.~~

~~(18) — RepoClear €GC Dutch Government Bond Basket (CBL) ISIN: XS0414743517~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Dutch government debt.~~

~~(19) — RepoClear €GC Belgian Government Bond Basket (CBL) ISIN: XS0414748748~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Belgian government debt.~~

~~(20) — RepoClear €GC Italian Government Bond Basket (CBL) ISIN: XS0414746965~~

~~Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Italian government debt.~~

~~For each of the above Eligible €GC Baskets, individual issues of securities which would otherwise meet the eligibility criteria defined for an Eligible €GC Basket, may be excluded from that Eligible €GC Basket at the sole discretion of the Clearing House, where that issue of securities does not meet the Clearing House's requirements for risk management purposes.~~

~~Notwithstanding that individual issues of securities meet the eligibility criteria defined for an Eligible €GC Basket, where the relevant Triparty Agent for that €GC Basket does not allow the allocation of that issue of security as part of its Autoselect or AutoAssign Supplement, that issue of securities will be excluded from the relevant basket.~~

#### ~~DERIVATION OF COMBINED CREDIT RATING~~

~~To determine the Combined Credit Rating of a country, the lowest rating allocated by Moody's, S&P and Fitch should be used.~~

#### ~~3. Netting across Triparty Agent's accounts~~

~~When the triparty systems of Euroclear and CBL are able to support the necessary level of interoperability (the "Triparty Bridge"), the Clearing House reserves the right to:~~

- ~~(a) cease to register new trades in the Eligible €GC Baskets defined in section 2.2; and~~
  
- ~~(b) for each set of two Eligible €GC Baskets which have the same Eligible Securities, introduce one new Eligible €GC Basket which can be settled at either Euroclear or CBL, and re-register any existing trades in the original two Eligible €GC basket into the single Eligible €GC Basket which replaces them.~~

**CHAPTER XVI EQUITYCLEAR REGULATIONS****Regulation 61 REGULATION 67 APPLICATION OF EQUITYCLEAR REGULATIONS**

(a) ~~These~~ The Clearing House shall provide the EquityClear Service subject to and in accordance with the terms of these EquityClear Regulations, ~~which form part of and~~ the Procedures.

EquityClear Clearing Members shall be bound by these EquityClear Regulations, ~~together with the Regulations referred to in paragraph.~~ Applications to become an EquityClear Clearing Member shall be made in accordance with ~~(b) Regulation 67~~ apply to EquityClear Contracts, EquityClear Clearing Members and, insofar as relevant EquityClear NCMs.

~~The Default Rules, Default Fund Rules, the Definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (c), 10, 11, 12, 13, 23, 24, 26 to 39B inclusive (other than Regulation 35(a), Regulation 37(b) and Regulation 38(b)) of the Regulations apply to EquityClear Contracts, EquityClear Clearing Members and, insofar as relevant, to EquityClear NCMs.~~

**EquityClear**

(b) (d) and (e). Other than as expressly specified in this Regulation 67, the remainder of the Regulations shall not apply to the EquityClear Service. A summary table of those Regulations which apply to the EquityClear Service as described in Regulation 67(a) to Regulation 67(q) is provided at Regulation 67(r).

(c) Regulation 2 and Regulation 3 of the Regulations apply to the EquityClear Service.

**EquityClear Clearing Membership**

(d) A Clearing Member may apply to become an EquityClear Clearing Member in accordance with the Procedures.

(e) Regulation 4 applies to membership of the EquityClear Service and applications for such membership.

(f) Regulation 5 applies to an EquityClear Clearing Member.

**Accounts**

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

**Client Clearing**

(h) Regulation 11 applies to those EquityClear Clearing Members who provide (or wish to provide) Client Clearing Services.

**Formation, registration and transfers of EquityClear Contracts**

(i) Regulation 16(b), (c) and (e) to (l), Regulation 17 and Regulation 19 apply to the formation and registration of an EquityClear Contract.

(j) Regulation 67 to Regulation 71 apply to the EquityClear Service.

(k) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to an EquityClear Contract that is an open contract.

**Margin and Collateral**

(l) Regulation 20 applies to an EquityClear Clearing Member.

**Reference prices and Revaluation**

(m) Regulation 22 applies to open EquityClear Contracts.

**Arbitration**

(n) Regulation 33 and Regulation 34 apply to EquityClear Contracts.

**Other Applicable Regulations**

(o) Regulation 37 to Regulation 46 inclusive apply to EquityClear Clearing Members and EquityClear Contracts.

### Default Rules

(p) The Default Rules apply to EquityClear Clearing Members and EquityClear Contracts.

### Clearing House Settlement Finality Regulations

(q) The Clearing House Settlement Finality Regulations apply in relation to EquityClear Clearing Members and EquityClear Contracts.

### Summary table of Regulations which apply to the EquityClear Service

(r) The Regulations listed in this Regulation 67(r) apply to the EquityClear Service as described under Regulation 67(a) to (q).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 7	<a href="#"><u>Non-Member Market Participant Status</u></a>
Regulation 9	<a href="#"><u>Service Withdrawal</u></a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	Designation
0(b), (c) and (e) to (l)	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 19	<a href="#"><u>Transactions entered into through an Automated Trading System or Platform</u></a>
Regulation 20	Margin and Collateral

<i>Regulation</i>	<i>Title</i>
0	Premium under Option Contracts
0	<b>Error! Not a valid result for table.</b>
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 35	<a href="#"><u>Delivery (or other) Failures</u></a>
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
0(b)	Interpretation of these Regulations
0	Waiver
0(a)	Validity of Regulations and Action
0(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 67 to 0	EquityClear Regulations
Default Rules	Default Rules

<b><i>Regulation</i></b>	<b><i>Title</i></b>
Settlement Finality Regulations	Settlement Finality Regulations



~~Regulation 62L~~ **REGULATION 68 (EQUITIES) EQUITYCLEAR** OPEN OFFER FOR  
**EQUITYCLEAR (EQUITIES) ATP MATCHES**

(a) This ~~Regulation 62A~~ **Regulation 68** applies to EquityClear ~~(Equities)~~ ATP Matches arising ~~on an ATP~~ pursuant to Trading Platform Particulars submitted by or on behalf of an EquityClear Clearing Member (which shall, for the avoidance of doubt, exclude any Co-operating Clearing House in connection with the EquityClear service). In the event of any inconsistency between the Regulations, (including the terms of any agreement entered into between the EquityClear Clearing Member and the Clearing House) and ~~the~~ any relevant ATP Market Rules, the Regulations shall prevail.

(b) If an EquityClear Clearing Member has been given approval by the Clearing House to clear eligible EquityClear (Equities) ATP Matches and/or eligible EquityClear (ccCFD) ATP Matches in respect of the ATP specified in such approval and such approval has not been withdrawn by the Clearing House the Clearing House will enter into EquityClear Contracts with that EquityClear Clearing Member pursuant to such approval in accordance with and subject to the following provisions of this Regulation. The terms of a registered EquityClear Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant ATP (in the case of EquityClear (Equities) ATP Matches) or from the relevant EquityClear Clearing Member (in the case of EquityClear (ccCFD) ATP Matches) and otherwise subject to the Regulations (and the Clearing House and the EquityClear Clearing Member party to the registered EquityClear Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations).

(c) The Clearing House makes an open offer to ~~the~~ EquityClear Clearing Members to enter into an EquityClear ~~(Equities)~~ Contract in respect of an EquityClear ~~(Equities)~~ ATP Match ~~made on the relevant ATP (as referred to in paragraph (b))~~ in accordance with paragraphs (e) ~~to (g) and (f)~~ of this ~~Regulation 62A~~ **Regulation 68**, as applicable, pursuant to the submission of Trading Platform Particulars by or on behalf of ~~that~~ those EquityClear Clearing Member ~~(including by an EquityClear NCM under the provisions of the relevant Approved EquityClear Clearing Agreement)~~ **Members provided that** the following requirements ("**the EquityClear (Equities) Open Offer Eligibility Criteria**") shall have been satisfied:

~~where the EquityClear (Equities) ATP Match arises pursuant to Trading Platform Particulars submitted by an EquityClear NCM on behalf of the EquityClear Clearing Member, and without prejudice to the other provisions of Regulation 62A: (aa) there was in place at the time that the Trading Platform Particulars were submitted and up to and including the time the EquityClear (Equities) ATP Match was made (the "relevant times"), an Approved EquityClear Clearing Agreement relating to such ATP to which that EquityClear Clearing Member and that EquityClear NCM are party; (bb) such Approved EquityClear Clearing Agreement had not been terminated or suspended at the relevant times; (cc) the EquityClear NCM had not been suspended or removed from the Register of EquityClear NCMs at the relevant times; and (dd) the EquityClear (Equities) Open Offer had not, at the relevant times, been suspended by the Clearing House in respect of EquityClear (Equities) ATP Matches made on such ATP pursuant to the relevant Approved EquityClear Clearing Agreement;~~

~~(ii)~~ (i) at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;

- ~~(iii)~~(ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph ~~(v)~~(iv) of this paragraph (c) the EquityClear Clearing Member had not been declared a ~~d~~Defaulter, by default notice or otherwise, by the Clearing House or the ATP, where applicable;
- ~~(iv)~~(iii) the ~~securities~~financial instruments the subject of the EquityClear ~~(Equities)~~-ATP Matches satisfy, at the relevant times, the EquityClear Eligible Equities criteria; or the EquityClear Eligible ccCFD criteria (as applicable);
- ~~(v)~~(iv) all necessary details as required by the Clearing House from time to time in respect of the EquityClear ~~(Equities)~~-ATP Matches shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
- ~~(vi)~~(v) the EquityClear Eligible Equities or EquityClear Eligible ccCFD, which are or is the subject of the EquityClear ~~(Equities)~~-ATP Match, are or is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by the relevant ATP;
- ~~(vii)~~(vi) \_\_\_\_\_ at the relevant times, the EquityClear service or any relevant part of the EquityClear ~~(Equities)~~-Open Offer in respect of EquityClear ~~(Equities)~~-ATP Matches made on such ATP had not been suspended or withdrawn;
- ~~(viii)~~(vii) \_\_\_\_\_ the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;
- ~~(ix)~~(viii) \_\_\_\_\_ in the case of an EquityClear (Equities) ATP Match, there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent, ~~who may be the EquityClear NCM~~, where applicable) and an Approved EquityClear Settlement Provider for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of an EquityClear (Equities) ATP Match; and
- ~~(x)~~(ix) in the case of an EquityClear (Equities) ATP Match which is an EquityClear Mixed Member Match:
- ~~(+)~~(A) the eligibility criteria (howsoever defined on the Clearing House's website) of the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear (Equities) ATP Match or any contract between the Co-operating Clearing House and its member arising out of it; and
- ~~(2)~~(B) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match pursuant to the agreement in place between them in

relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and

~~(3)(C)~~ at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph ~~(v)~~<sup>iv</sup> of this paragraph (c), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a ~~d~~<sup>D</sup>Defaulter by the other, by default notice or otherwise.

(d) For the avoidance of doubt, Trading Platform Particulars are deemed to have been submitted by or on behalf of the EquityClear Clearing Member if the details of the EquityClear ~~(Equities)~~ ATP Matches received by the Clearing House identify, in accordance with ~~the~~<sup>any</sup> relevant ATP Market Rules, the Regulations or the Procedures, the EquityClear ~~(Equities)~~ ATP Matches as having been made by or on behalf of that EquityClear Clearing Member.

~~If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as seller (the "selling EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as buyer (the "buying EquityClear Clearing Member"), and the resulting EquityClear (Equities) ATP Match satisfies the EquityClear (Equities) Open Offer Eligibility Criteria, two EquityClear (Equities) Contracts shall arise immediately on the EquityClear (Equities) ATP Match being made, as follows:~~

~~the Clearing House shall be the buyer under one EquityClear (Equities) Contract to the selling EquityClear Clearing Member; and~~

~~the Clearing House shall be the seller under one EquityClear (Equities) Contract to the buying EquityClear Clearing Member.~~

~~(e)~~ (e) If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member, ~~(including on its behalf by an~~<sup>as</sup> seller (the "selling EquityClear NCM), as Clearing Member") (or buyer (the "**buying EquityClear Clearing Member**")<sup>)</sup>) and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member, ~~(including on its behalf by its~~<sup>as</sup> buyer (the "buying EquityClear NCM), as Clearing Member") (or seller (the "**selling EquityClear Clearing Member**")<sup>)</sup>), and the resulting EquityClear ~~(Equities)~~ ATP Match satisfies the EquityClear ~~(Equities)~~ Open Offer Eligibility Criteria, two EquityClear ~~(Equities)~~ Contracts shall arise immediately on the EquityClear ~~(Equities)~~ ATP Match being made, as follows:

~~the Clearing House shall be the seller under one EquityClear (Equities) Contract to the buying EquityClear Clearing Member; and~~

(i) the Clearing House shall be the buyer under one EquityClear (Equities) Contract or one EquityClear (ccCFD) Contract (as the case may be) to the selling EquityClear Clearing Member; and

- (ii) the Clearing House shall be the seller under one EquityClear (Equities) Contract or one EquityClear (ccCFD) Contract (as the case may be) to the buying EquityClear Clearing Member.

~~(g)~~(f) In respect of an EquityClear Mixed Member Match which is at EquityClear (Equities) ATP Match, where Trading Platform Particulars submitted by, or on behalf of, an EquityClear Clearing Member to the relevant ATP have been matched, in accordance with the ATP Market Rules, with Trading Platform Particulars submitted by, or on behalf of, a member of a relevant Co-operating Clearing House, the Clearing House shall, on receipt of details of such EquityClear (Equities) ATP Match through the ATP (or by such other means) and subject to the EquityClear (Equities) Open Offer Eligibility Criteria having been met with respect to such EquityClear Clearing Member and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:

(i) where the EquityClear Clearing Member is identified in the EquityClear (Equities) ATP Match as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and

(ii) where the EquityClear Clearing Member is identified in the EquityClear (Equities) ATP Match as the seller, (A) the Clearing House shall be the buyer under an EquityClear (Equities) Contract with the EquityClear Clearing Member as seller; and (B) the Clearing House shall be the seller under a Contract with the Co-operating Clearing House as buyer.

(g) Subject to its rights to suspend the EquityClear Open Offer and/or the EquityClear service generally or in respect of one or more ATPs or to withdraw the EquityClear service in whole or in part, as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 68 until such EquityClear Clearing Member is no longer eligible to have EquityClear Contracts registered in its name or has withdrawn from trading through each ATP notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATP must be notified to the Clearing House in accordance with the Procedures.

**REGULATION 69 EQUITYCLEAR NOVATION TRANSACTIONS**

- (a) Details of any EquityClear Novation Transaction in respect of an ATP which is to be submitted for registration must be submitted in accordance with the Procedures by or on behalf of the EquityClear Clearing Member who is party to, or is providing clearing services to a party to, such EquityClear Novation Transaction. For the avoidance of doubt, where the particulars of an EquityClear Novation Transaction submitted by or on behalf of an EquityClear Clearing Member and received by the Clearing House identify, in accordance with the relevant ATP Market Rules or the Procedures, that EquityClear Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the EquityClear Novation Transaction, the Clearing House will enter into an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable with that EquityClear Clearing Member in accordance with and subject to the following provisions of this Regulation 69.
- (b) Without prejudice to the Clearing House's rights under Regulation 16(i), an EquityClear Novation Transaction, particulars of which are submitted for registration as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract by or on behalf of an EquityClear Clearing Member, must meet the following eligibility criteria at the time when the particulars of such EquityClear Novation Transaction are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time (each such time, for the purposes of this Regulation 69, the "relevant times") in order to be registered as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable:
- (i) either (x) the securities the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible Equities or (y) the financial instruments the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible ccCFD Underlying Instruments, as applicable;
  - (ii) all necessary details as required by the Clearing House from time to time in respect of the EquityClear Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (iii) the EquityClear Eligible Equities, which are the subject of the EquityClear Novation Transaction, are not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of the ATP;
  - (iv) at the relevant times, the EquityClear services for the relevant ATP has not been suspended or withdrawn, generally or in relation to the relevant EquityClear Eligible Equities or EquityClear Clearing Member;
  - (v) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;
  - (vi) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent,

where applicable) and an ASP for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of the EquityClear Novation Transaction; and

(vii) in the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match:

(A) the eligibility criteria (howsoever defined on the Clearing House's website) of the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it; and

(B) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction pursuant to the agreement in place between them in relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and

(C) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (ii) of this paragraph (b), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a Defaulter by the other, by default notice or otherwise.

(c) In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match, the Clearing House shall, on receipt of details of such EquityClear Novation Transaction and subject to Regulation 69(b) having been met with respect to such EquityClear Novation Transaction and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:

(i)(A) where the EquityClear Clearing Member is identified in the EquityClear Novation Transaction as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and

(i)(B) where the EquityClear Clearing Member is identified in the EquityClear ~~(Equities) ATP Match~~ Novation Transaction as the seller, (A) the Clearing House shall be the buyer under an EquityClear (Equities) Contract with the EquityClear Clearing Member as seller; and (B) the Clearing House shall be the seller under a Contract with the Co-operating Clearing House as buyer.

~~EquityClear (Equities) Contracts entered into by the Clearing House under paragraphs (e) to (g), as applicable, with EquityClear Clearing Members, shall be registered in the name of each EquityClear Clearing Member following receipt by the Clearing House of the details required by the Clearing House of such Contracts, such details to be made available to the Clearing House by the operator of the relevant ATP or the relevant approved agent, as~~



~~applicable (in accordance with the arrangements made between the Clearing House and such ATP or approved agent from time to time).~~

~~If the details of EquityClear (Equities) Contracts arising under paragraphs (e) to (g) required by the Clearing House are not made available to the Clearing House by the operator of the relevant ATP or the relevant approved agent, as applicable, as required by the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details the Clearing House may decree that neither the Clearing House nor the EquityClear Clearing Member party thereto shall be obliged to perform their respective obligations under the EquityClear (Equities) Contracts arising under paragraphs (e) to (g), as applicable. If the Clearing House so decrees, the Clearing House shall issue directions to the affected EquityClear Clearing Members and such EquityClear (Equities) Contracts shall be performed in accordance with any such directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected EquityClear (Equities) Contract. Any directions given by the Clearing House under this paragraph (i) shall be binding on all affected EquityClear Clearing Members.~~

~~Subject to its rights to suspend the EquityClear (Equities) Open Offer and/or the EquityClear service generally or in respect of one or more ATPs and/or one or more EquityClear NCMs, or to withdraw the EquityClear service in whole or in part, as set out in an Approved EquityClear Clearing Agreement, these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 62A until such EquityClear Clearing Member is no longer eligible to have EquityClear (Equities) Contracts registered in its name or has withdrawn from trading through each ATP notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATP must be notified to the Clearing House in accordance with the Procedures.~~

~~Without prejudice to Regulation 39A, the Clearing House shall not be liable to any EquityClear Clearing Member (or anyone else, including but not limited to any EquityClear NCM), for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any EquityClear (Equities) Contract arising under paragraphs (e) to (g) if the Clearing House does not receive the relevant details referred to in paragraph (i) by the time referred to in such paragraph (i) in respect of such EquityClear (Equities) Contract and has not pursuant to paragraph (i) performed its obligations under any such contract.~~

~~Notwithstanding the provisions of paragraph (c), if the Clearing House or its approved agent receives details of an EquityClear (Equities) ATP Match in respect of an EquityClear Clearing Member from an ATP specified by the EquityClear Clearing Member by notice given under paragraph (b) and which has not been withdrawn in respect of that ATP, and the details of the EquityClear (Equities) ATP Match purportedly meet the relevant EquityClear (Equities) Open Offer Eligibility Criteria in paragraph (c) the EquityClear Clearing Member shall be bound by any EquityClear (Equities) Contract registered in his name in respect of such EquityClear (Equities) ATP Match and the terms of such registered EquityClear (Equities) Contract shall be as set out in paragraph (b).~~

~~Without prejudice to paragraph (l), the Clearing House may with the agreement of each EquityClear Clearing Member party to any corresponding EquityClear (Equities) Contract and the relevant ATP, set aside or take such other steps with respect to such Contracts on such~~

~~terms as may be agreed between each such EquityClear Clearing Member and the Clearing House, if any such EquityClear Clearing Member considers that a Contract has been entered into in error or certain terms of the Contract have been agreed in error.~~



**REGULATION 70 DISPUTES AND LIMITATION OF LIABILITY**

~~(a)~~(a) In the event of a dispute:

- (i) arising out of, or in respect of, the existence of an EquityClear (Equities) ATP Match or an EquityClear (ccCFD) ATP Match or, where applicable, whether it was identified to the ATP by the relevant EquityClear ~~Participants~~Clearing Members as an EquityClear (Equities) ATP Match or as an EquityClear (ccCFD) ATP Match to be registered by the Clearing House as an EquityClear (Equities) Contract or as an EquityClear (ccCFD) Contract (as the case may be) such dispute shall be settled as provided for in the ATP Market Rules without recourse to the Clearing House;
- (ii) in respect of registered EquityClear (Equities) Contracts or EquityClear (ccCFD) Contracts, a dispute arising out of, or in respect of, such registered ~~EquityClear (Equities)~~ Contracts, or in relation to these Regulations relating to the clearing of such ~~EquityClear (Equities)~~ Contracts, other than a dispute referred to in (i) above, shall be referred to arbitration and settled as provided in ~~Regulation 23~~Regulation 33(a) where the relevant ATP Market Rules provide for arbitration. Where the relevant ATP Market Rules do not include relevant arbitration provisions, or the application of such arbitration provisions to EquityClear (Equities) Contracts or EquityClear (ccCFD) Contracts (as applicable) is disapplied in these Regulations or the Procedures, a dispute arising out of, or in respect of, such registered Contracts, or in relation to these Regulations relating to the clearing of such Contracts, shall be settled in accordance with the Regulations and the Procedures, as applicable.

~~EquityClear (Equities) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (Equities) Contracts, shall be settled in accordance with the Regulations and the Procedures, as applicable.~~

~~(b)~~(b) Without prejudice to the generality of ~~Regulation 39~~Regulation 52 or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, any liability of the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any client of a Member) which might otherwise arise in connection with the EquityClear service shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material respect in its provision of the EquityClear service (including, without limitation, an Approved EquityClear Trading Platform, Approved EquityClear Settlement Provider, a Co-operating Clearing House or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.

## EquityClear Novation Transactions

~~Details of any EquityClear Novation Transaction in respect of an ATP which is to be submitted for registration must be submitted in accordance with the Procedures by or on behalf of the EquityClear Clearing Member (including by an EquityClear NCM on their behalf under the provisions of the relevant Approved EquityClear Clearing Agreement or by any person acting on behalf of such an EquityClear NCM) who is party to, or is providing clearing services to a party to, such EquityClear Novation Transaction. For the avoidance of doubt, where the particulars of an EquityClear Novation Transaction submitted by or on behalf of an EquityClear Clearing Member and received by the Clearing House identify, in accordance with the relevant ATP Market Rules or the Procedures, that EquityClear Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the EquityClear Novation Transaction, the Clearing House will enter into an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable with that EquityClear Clearing Member in accordance with and subject to the following provisions of this Regulation 62B.~~

~~Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation 62B, an EquityClear Clearing Member shall be bound by an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract registered in its name pursuant to the presentation of details of an EquityClear Novation Transaction by it or on its behalf (including on its behalf by an EquityClear NCM or any person acting on behalf of an EquityClear NCM in respect of an EquityClear (Equities) Contract only).~~

~~Without prejudice to the Clearing House's rights under paragraph (f) of this Regulation 62B, an EquityClear Novation Transaction, particulars of which are submitted for registration as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract by or on behalf of an EquityClear Clearing Member, must meet the following eligibility criteria at the time when the particulars of such EquityClear Novation Transaction are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time (each such time, for the purposes of this Regulation 62B, the "relevant times") in order to be registered as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable:~~

~~without prejudice to the other provisions of this Regulation 62B, in the case of particulars of any EquityClear Novation Transaction submitted by an EquityClear NCM (or by any person acting on behalf of an EquityClear NCM) on behalf of an EquityClear Clearing Member:~~

~~there is in place at the relevant times an Approved EquityClear Clearing Agreement in a form approved in writing by the Clearing House to which that EquityClear NCM and the EquityClear Clearing Member are party; and~~

~~such Approved EquityClear Clearing Agreement has not been terminated or suspended at the relevant times;~~

~~at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;~~

~~at the relevant times, the EquityClear Clearing Member has not been declared a defaulter, by default notice or otherwise, by the Clearing House or the ATP, where applicable;~~

~~(ii)(i) either (x) the securities the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible Equities or (y) the financial instruments the subject of the EquityClear Novation Transaction are, at the relevant times, EquityClear Eligible CFD Underlying Instruments, as applicable;~~

~~(iii)(i) all necessary details as required by the Clearing House from time to time in respect of the EquityClear Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;~~

~~(iv)(i) the EquityClear Eligible Equities, which are the subject of the EquityClear Novation Transaction, are not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of the ATP;~~

~~(v)(i) at the relevant times, the EquityClear services for the relevant ATP has not been suspended or withdrawn, generally or in relation to the relevant EquityClear Eligible Equities or EquityClear Clearing Member;~~

~~(vi)(i) the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service;~~

~~there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the EquityClear Clearing Member (or its nominated agent, who may be an EquityClear NCM or any person acting on behalf of an EquityClear NCM, where applicable) and an ASP for the delivery, or receipt, as applicable, of the EquityClear Eligible Equities which are the subject of the EquityClear Novation Transaction; and~~

~~in the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match:~~

~~the eligibility criteria (howsoever defined) of the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction have been satisfied and the relevant Co-operating Clearing House has not declined to register, rejected, cancelled, avoided or terminated such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it; and~~

~~(2)(A) a balancing contract is deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction pursuant to the agreement in place between them in relation to the co-clearing of the relevant ATP and such balancing contract has not been rejected, cancelled, avoided or terminated for any reason; and~~

~~at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (v) of this paragraph (c), neither of the Clearing House or the relevant Co-operating Clearing House has been declared a defaulter by the other, by default notice or otherwise.~~

~~The Clearing House shall be deemed to register an EquityClear (Equities) Contract and/or EquityClear (ccCFD) Contract, as the case may be, in accordance with Regulation 62B, in the name of an EquityClear Clearing Member at the time prescribed in the Procedures (“Registration Time”).~~

~~For the avoidance of doubt, any transaction of which details have been presented by or on behalf of EquityClear Clearing Members (including on their behalf by an EquityClear NCM or any person acting on behalf of an EquityClear NCM) for registration as an EquityClear (Equities) Contract and/or EquityClear (ccCFD) Contract, as the case may be which is not so registered will remain in effect between the original parties to that transaction or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules), and the Clearing House shall have no obligations or liability in relation thereto.~~

~~If at any time after registration of an EquityClear (Equities) Contract and EquityClear (ccCFD) Contract, as the case may be the Clearing House determines that the EquityClear Novation Transaction did not, at the Registration Time, meet the eligibility criteria for registration as an EquityClear (Equities) Contract or an EquityClear (ccCFD) Contract, as the case may be, the Clearing House shall, as soon as practicable thereafter, set aside such EquityClear (Equities) Contract or EquityClear (ccCFD) Contract. Upon an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract being set aside under this Regulation 62B, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect between the original parties to that transaction or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto (directly or by virtue of the application of the relevant ATP Market Rules). Any payment made under, or in respect of, an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 62B, the Clearing House (and each other of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an EquityClear (Equities) Contract or EquityClear (ccCFD) Contract.~~

~~Without prejudice to the Clearing House’s rights to effect further novation under Regulation 3(b), particulars of an EquityClear Novation Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in accordance with the Procedures as two EquityClear (Equities) Contracts or two EquityClear (ccCFD) Contracts, as the case may be, in each case, one between the First EquityClear Clearing Member being the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second EquityClear Clearing Member being the buyer as principals to such contract. For the purposes of this Regulation 62B(g):~~

~~“First EquityClear Clearing Member” is an EquityClear Clearing Member who was, before registration of the EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable, identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the seller;~~

~~“Second EquityClear Clearing Member” is an EquityClear Clearing Member who was, before registration of the EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable, identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer.~~

~~In the case of an EquityClear Novation Transaction which is an EquityClear Mixed Member Match.~~

~~The Clearing House shall, on receipt of details of such EquityClear Novation Transaction and subject to Regulation 62B(c) having been met with respect to such EquityClear Novation Transaction and the relevant Co-operating Clearing House being party to a valid and subsisting agreement with the Clearing House for the co-clearing of EquityClear Mixed Member Matches, register Contracts in the name of the EquityClear Clearing Member and in the name of the relevant Co-operating Clearing House as follows:~~

~~where the EquityClear Clearing Member is identified in the EquityClear Novation Transaction as the buyer, (A) the Clearing House shall be the seller under an EquityClear (Equities) Contract with the EquityClear Clearing Member as buyer; and (B) the Clearing House shall be the buyer under a Contract with the Co-operating Clearing House as seller; and~~

~~where the EquityClear Clearing Member is identified in the EquityClear Novation Transaction as the seller, (A) the Clearing House shall be the buyer under an EquityClear (Equities) Contract with the EquityClear Clearing Member as seller; and (B) the Clearing House shall be the seller under a Contract with the Co-operating Clearing House as buyer.~~

~~With effect from registration of an EquityClear Novation Transaction as two EquityClear (Equities) Contracts or EquityClear (ccCFD) Contracts, as the case may be under paragraph (g) of this Regulation:~~

~~the parties to the corresponding EquityClear Novation Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;~~

~~each EquityClear (Equities) Contract or EquityClear (ccCFD) Contract registered under paragraph (g) of this Regulation 62B shall be governed by the relevant EquityClear (Equities) Contract Terms or EquityClear (ccCFD) Contract Terms as applicable to that Contract and the General Regulations and Procedures.~~

~~subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the First EquityClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective EquityClear (Equities) Contract or EquityClear (ccCFD) Contract Terms to which it is a~~

~~party as the party which is identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the seller; and~~

~~subject always to sub-paragraph (ii) above, in respect of the Economic Terms, the Second EquityClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective EquityClear (Equities) Contract or EquityClear (ccCFD) Contract, as applicable to which it is a party as the party which is identified in the particulars of the corresponding EquityClear Novation Transaction as, or as acting as clearing member for, the buyer.~~

~~In subparagraphs (iii) and (ii), a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding EquityClear Novation Transaction (it being assumed, for this purpose, that such EquityClear Novation Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the EquityClear (Equities) Contract Terms or EquityClear (ccCFD) Contract Terms, as applicable.~~

~~If an EquityClear Novation Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any EquityClear (Equities) Contract arising under this Regulation or Regulation 3(b).~~

~~In the case of an EquityClear (Equities) 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 Regulation 62B shall take effect.~~

~~EquityClear Open Offer for EquityClear (ccCFD) ATP Matches ("EquityClear (ccCFD) Open Offer")~~

~~This Regulation 62C applies to EquityClear (ccCFD) ATP Matches arising pursuant to Trading Platform Particulars submitted by or on behalf of an EquityClear Clearing Member.~~

~~If an EquityClear Clearing Member has been given approval by the Clearing House to clear eligible EquityClear (ccCFD) ATP Matches in respect of the ATP specified in such approval and such approval has not been withdrawn by the Clearing House, the Clearing House will enter into EquityClear (ccCFD) Contracts with that EquityClear Clearing Member pursuant to such approval in accordance with and subject to the following provisions of this Regulation. The terms of a registered EquityClear (ccCFD) Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant EquityClear Clearing Member and otherwise subject to the Regulations (and the Clearing House, and the EquityClear Clearing Members party to the registered EquityClear (ccCFD) Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations).~~

~~The Clearing House makes an open offer to EquityClear Clearing Members to enter into an EquityClear (ccCFD) Contract in respect of an EquityClear (ccCFD) ATP Match in accordance with paragraph (e) or (f) of this Regulation 62C, as applicable, pursuant to the submission of Trading Platform Particulars by or on behalf of those EquityClear Clearing Members (including by an EquityClear NCM on behalf of EquityClear Clearing Member under the provisions of the relevant Approved EquityClear Clearing Agreement) provided that the following requirements ("the EquityClear (ccCFD) Open Offer Eligibility Criteria") shall have been satisfied:~~

~~where the EquityClear (ccCFD) ATP Match arises pursuant to Trading Platform Particulars submitted by an EquityClear NCM on behalf of an EquityClear Clearing Member, and without prejudice to the other provisions of Regulation 62C;~~

~~there was in place at the time that the Trading Platform Particulars were submitted and up to and including the time the EquityClear (ccCFD) ATP Match was made (the "relevant times"), an Approved EquityClear Clearing Agreement relating to such ATP to which that EquityClear Clearing Member and that EquityClear NCM are party;~~

~~such Approved EquityClear Clearing Agreement had not be terminated or suspended at the relevant times;~~

~~the EquityClear NCM had not been suspended or removed from the Register of EquityClear NCMs at the relevant times; and~~

~~the EquityClear (ccCFD) Open Offer had not, at the relevant times, been suspended by the Clearing House in respect of EquityClear (ccCFD) ATP Matches made pursuant to the relevant Approved EquityClear Clearing Agreement;~~

~~at the relevant times the EquityClear Clearing Member was party to a valid and subsisting Clearing Membership Agreement;~~



~~at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (v) of this paragraph (e) the EquityClear Clearing Member has not been declared a defaulter, by default notice or otherwise, by the Clearing House or the ATP, where applicable;~~

~~the financial instruments the subject of the EquityClear (ccCFD) ATP Matches satisfy, at the relevant times, the EquityClear Eligible ccCFD criteria;~~

~~all necessary details as required by the Clearing House from time to time in respect of the EquityClear (ccCFD) ATP Matches shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;~~

~~the EquityClear Eligible ccCFD, which is the subject of the EquityClear (ccCFD) ATP Match, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by the relevant ATP;~~

~~at the relevant times, the EquityClear service or any relevant part of it or the EquityClear (ccCFD) Open Offer in respect of EquityClear (ccCFD) ATP Matches made on such ATP had not been suspended or withdrawn; and~~

~~the EquityClear Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the EquityClear service.~~

~~For the avoidance of doubt, Trading Platform Particulars are deemed to have been submitted by or on behalf of the EquityClear Clearing Member if the details of the EquityClear (ccCFD) ATP Matches received by the Clearing House identify, in accordance with the relevant Regulations or the Procedures, the EquityClear (ccCFD) ATP Matches as having been made by or on behalf of that EquityClear Clearing Member.~~

~~If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as seller (the "selling EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member (including on its behalf by an EquityClear NCM), as buyer (the "buying EquityClear Clearing Member"), and the resulting EquityClear (ccCFD) ATP Match satisfies the EquityClear (ccCFD) Open Offer Eligibility Criteria, two EquityClear (ccCFD) Contracts shall arise immediately on the EquityClear (ccCFD) ATP Match being made, as follows:~~

~~the Clearing House shall be the buyer under one EquityClear (ccCFD) Contract to the selling EquityClear Clearing Member; and~~

~~the Clearing House shall be the seller under one EquityClear (ccCFD) Contract to the buying EquityClear Clearing Member.~~



~~If Trading Platform Particulars have been input into the relevant ATP by or on behalf of an EquityClear Clearing Member (including on its behalf by an EquityClear NCM) as buyer (the "buying EquityClear Clearing Member") and have been matched by, or in accordance with the ATP Market Rules with Trading Platform Particulars input into such ATP by or on behalf of another EquityClear Clearing Member, (including on its behalf by its EquityClear NCM), as seller (the "selling EquityClear Clearing Member"), and the resulting EquityClear (ccCFD) ATP Match satisfies the EquityClear (ccCFD) Open Offer Eligibility Criteria, two EquityClear (ccCFD) Contracts shall arise immediately on the EquityClear (ccCFD) ATP Match being made, as follows:~~

~~the Clearing House shall be the seller under one EquityClear (ccCFD) Contract to the buying EquityClear Clearing Member; and~~

~~the Clearing House shall be the buyer under one EquityClear (ccCFD) Contract to the selling EquityClear Clearing Member.~~

~~EquityClear (ccCFD) Contracts entered into by the Clearing House under paragraphs (e) or (f), as applicable, with EquityClear Clearing Members, shall be registered in the name of each respective EquityClear Clearing Member following receipt by the Clearing House of the details required by the Clearing House of such Contracts, such details to be made available to the Clearing House by the operator of the ATP or the relevant approved agent, as applicable, in accordance with the arrangements made between the Clearing House and such ATP or approved agent from time to time.~~

~~If the details of EquityClear (ccCFD) Contracts arising under paragraphs (e) or (f) required by the Clearing House are not made available to the Clearing House by the operator of the relevant ATP or the relevant approved agent, as applicable, as required by the Clearing House in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details the Clearing House may decree that neither the Clearing House nor the EquityClear Clearing Member party thereto shall be obliged to perform their respective obligations under the EquityClear (ccCFD) Contracts arising under paragraphs (e) or (f), as applicable. If the Clearing House so decrees, the Clearing House shall issue directions to the affected EquityClear Clearing Members and such EquityClear (ccCFD) Contracts shall be performed in accordance with any such directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected EquityClear (ccCFD) Contract. Any directions given by the Clearing House under this paragraph (h) shall be binding on all affected EquityClear Clearing Members.~~

~~(i)(a) Subject to its rights to suspend the EquityClear (ccCFD) Open Offer and/or the EquityClear service generally or in respect of one or more ATPs and/or one or more EquityClear NCMs, or to withdraw the EquityClear service in whole or in part, as set out in an Approved EquityClear Clearing Agreement, these Regulations or the Procedures, the Clearing House undertakes to keep open the offer made by it in this Regulation 62C until such EquityClear Clearing Member is no longer eligible to have EquityClear (ccCFD) Contracts registered in its name or has withdrawn from trading through each ATP notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an ATP must be notified to the Clearing House in accordance with the Procedures.~~

~~Without prejudice to Regulation 39A, the Clearing House shall not be liable to any EquityClear Clearing Member (or anyone else, including but not limited to any EquityClear NCM),~~

~~for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any EquityClear (ccCFD) Contract arising under paragraphs (e) or (f) if the Clearing House does not receive the relevant details referred to in paragraph (h) by the time referred to in such paragraph (h) in respect of such EquityClear (ccCFD) Contract and has not pursuant to paragraph (h) performed its obligations under any such contract.~~

~~Notwithstanding the provisions of paragraph (e), if the Clearing House or its approved agent receives details of an EquityClear (ccCFD) ATP Match, and the details of the EquityClear (ccCFD) ATP Match purportedly meet the relevant EquityClear (ccCFD) Open Offer Eligibility Criteria in paragraph (e), the EquityClear Clearing Members shall each be bound by any EquityClear (ccCFD) Contract registered in his name in respect of such EquityClear (ccCFD) ATP Match and the terms of such registered EquityClear (ccCFD) Contract shall be as set out in paragraph (b).~~

~~Without prejudice to paragraph (k), the Clearing House may with the agreement of an EquityClear Clearing Member party to an EquityClear (ccCFD) Contract and the relevant ATP, set aside or take such other steps with respect to such Contracts on such terms as may be agreed between each such EquityClear Clearing Member and the Clearing House, if any such EquityClear Clearing Member considers that a Contract has been entered into in error or certain terms of the Contract have been agreed in error.~~

~~In the event of a dispute:~~

~~arising out of, or in respect of, the existence of an EquityClear (ccCFD) ATP Match or, where applicable, whether it was identified to the ATP by the relevant EquityClear Trading Participants as an EquityClear (ccCFD) ATP Match to be registered by the Clearing House as an EquityClear (ccCFD) Contract such dispute shall be settled as provided for in the ATP Market Rules without recourse to the Clearing House;~~

~~in respect of registered EquityClear (ccCFD) Contracts, arising out of, or in respect of, such registered EquityClear (ccCFD) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (ccCFD) Contracts; other than a dispute referred to in (i) above, shall be referred to arbitration and settled as provided in Regulation 23 where the relevant ATP Market Rules provide for arbitration. Where the relevant ATP Market Rules do not include relevant arbitration provisions, or the application of such arbitration provisions to EquityClear (ccCFD) Contracts is disappplied in these Regulations or the Procedures, a dispute arising out of, or in respect of, such registered EquityClear (ccCFD) Contracts, or in relation to these Regulations relating to the clearing of such EquityClear (ccCFD) Contracts, shall be settled in accordance with the Regulations and the Procedures, as applicable.~~

~~Without prejudice to the generality of Regulation 39 or any other provision of the Regulations or Procedures concerning liability of the Clearing House or a Member, any liability of the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any client of a Member) which might otherwise arise in connection with the EquityClear service shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material~~

~~respect in its provision of the EquityClear service (including, without limitation, an Approved EquityClear Trading Platform, or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.~~

~~EquityClear NCMs~~

~~A person who is not a Member but who is party to an Approved EquityClear Clearing Agreement shall be admitted by the Clearing House to the Register of EquityClear NCMs and shall remain on the Register for so long as that Approved EquityClear Clearing Agreement subsists.~~

~~The Clearing House shall suspend from the Register of EquityClear NCMs any EquityClear NCM who is party to an Approved EquityClear Clearing Agreement with an EquityClear Clearing Member whose Clearing Membership Agreement has been terminated or who is no longer eligible to have EquityClear Contracts registered in its name, for such period as the Clearing House may determine.~~

### ~~Delivery (or Other) Failures~~

~~Without prejudice to the Default Rules and the Procedures, if an EquityClear Clearing Member as seller fails to deliver financial instruments to the Clearing House under an EquityClear Contract by the due time therefor, the Clearing House may issue directions, in accordance with the Procedures, to the seller and to an EquityClear Clearing Member as buyer under a corresponding EquityClear Contract regarding the performance of such contracts and such directions shall be binding on such members.~~

~~The Clearing House shall be entitled to demand Collateral in respect of a Member's for margin obligations in such amounts and in such form as it may require in accordance with the Procedures from the selling EquityClear Clearing Member who has failed to deliver securities under an EquityClear Contract by the due time therefor and from the buying EquityClear Clearing Member under the corresponding EquityClear Contract.~~

~~Without prejudice to the Default Rules, if a selling EquityClear Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under EquityClear Contracts (other than in circumstances where Regulations 26 and/or 27 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the EquityClear Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the EquityClear Clearing Member's ability to have EquityClear Contracts registered in his name and to require him to liquidate or transfer under Regulation 11 open contracts, being EquityClear Contracts registered in his name.~~

**~~Regulation 65~~ REGULATION 71 SUSPENSION OF THE EQUITYCLEAR SERVICE OR THE EQUITYCLEAR OPEN OFFER**

The Clearing House may, from time to time, in its absolute discretion suspend the EquityClear service or the EquityClear Open Offer in respect of ATP Matches or the EquityClear (ccCFD) Open Offer in respect of EquityClear (ccCFD) ATP Matches or its service in respect of any EquityClear Novation Transaction on one or more ATPs for such period of time as it may determine.

~~Withdrawal of EquityClear Service by the Clearing House~~

~~If at any time the Clearing House decides to withdraw part or the whole of the EquityClear service it shall give not less than six months' notice to all affected EquityClear Clearing Members of the date on which the service will be withdrawn ("the EquityClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non receipt of notice under this Regulation 66 by, one or more affected EquityClear Clearing Members shall not invalidate the EquityClear Withdrawal Date.~~

~~Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the EquityClear Withdrawal Date.~~

~~If, at the EquityClear Withdrawal Date, an EquityClear Clearing Member has open Contracts, being affected EquityClear Contracts, registered in its name, the Clearing House shall, at its sole discretion, be entitled to liquidate any such EquityClear Contracts and effect cash settlement in respect of them with the EquityClear Clearing Member.~~

~~The Clearing House shall have the right to postpone the EquityClear Withdrawal Date until such time as the Clearing House determines.~~

**Regulation 67** **REGULATION 72** REJECTION OF ATP MATCHES AND OF EQUITYCLEAR NOVATION TRANSACTIONS

- (a) Any EquityClear ~~(Equities)~~ ATP Match, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear Contract, which does not meet the relevant EquityClear ~~(Equities)~~ Open Offer Eligibility Criteria as ~~set out in Regulation 62A~~ published on the Clearing House's website (or any EquityClear (Equities) ATP Match which is an EquityClear Mixed Member Match where the relevant Co-operating Clearing House subsequently declines to register, rejects, cancels, avoids or terminates such EquityClear (Equities) ATP Match or any contract between the Co-operating Clearing House and its member arising out of it and any balancing contract deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear (Equities) ATP Match), ~~or~~ which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph ~~(e)~~, (c), be rejected by the Clearing House and no EquityClear Contracts shall be deemed to have arisen. Without prejudice to the generality of ~~Regulation 39~~, Regulation 52, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person ~~(including but not limited to any EquityClear NCM)~~ with regard to the rejection by it of any such EquityClear ~~(Equities)~~ ATP Match.
- (b) Any EquityClear Novation Transaction, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear Contract, which does not meet the applicable eligibility criteria as ~~set out in Regulation 62B~~ published on the Clearing House's website (or any EquityClear Novation Transaction which is an EquityClear Mixed Member Match where the relevant Co-operating Clearing House subsequently declines to register, rejects, cancels, avoids or terminates such EquityClear Novation Transaction or any contract between the Co-operating Clearing House and its member arising out of it and any balancing contract deemed to arise between the Clearing House and the relevant Co-operating Clearing House in respect of such EquityClear Novation Transaction), or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (c), be rejected by the Clearing House and no EquityClear Contracts shall be deemed to have arisen. Without prejudice to the generality of ~~Regulation 39~~, Regulation 52, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person ~~(including but not limited to any EquityClear NCM)~~ with regard to the rejection by it of any such EquityClear Novation Transaction.
- (c) The Clearing House may, in its absolute discretion, agree to register an EquityClear Contract, notwithstanding that it does not meet the relevant EquityClear ~~(Equities)~~ Open Offer Eligibility Criteria or the eligibility criteria ~~set out in Regulation 62B(e)~~ as published on the Clearing House's website (as applicable) or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the Procedures.



### ~~Rejection of EquityClear (ccCFD) ATP Matches~~

~~Any EquityClear (ccCFD) ATP Match, particulars of which are submitted to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an EquityClear (ccCFD) Contract, which does not meet the EquityClear (ccCFD) Open Offer Eligibility Criteria (as set out in Regulation 62C) as the case may be, or which the Clearing House declines to register under any other provision within these Regulations will, subject to paragraph (b), be rejected by the Clearing House and no EquityClear (ccCFD) Contracts shall be deemed to have arisen. Without prejudice to the generality of Regulation 39, or any other provision of the Regulation or Procedures concerning liability of the Clearing House or a Member, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any Member or any other person (including but not limited to any EquityClear NCM) with regard to the rejection by it of any such EquityClear (ccCFD) ATP Match.~~

~~The Clearing House may, in its absolute discretion, agree to register an EquityClear (ccCFD) Contract, notwithstanding that it does not meet the EquityClear (ccCFD) Eligibility Criteria or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the Procedures.~~

**SCHEDULE TO THE EQUITYCLEAR REGULATIONS****Part A****EquityClear (Equities) Contract Terms**

~~The terms of an EquityClear Contract shall comprise the Economic Terms and the General Terms.~~

~~1. The Economic Terms of an EquityClear (Equities) Contract shall comprise:~~

~~(a) Buyer;~~

~~(b) Seller;~~

~~(c) Security (type and number);~~

~~(d) Price;~~

~~(e) Settlement date.~~

~~2. The General Terms shall comprise such further and other provisions as may be set out in this Part A and the Procedures.~~

~~3. Obligations regarding taxes and corporate events shall be as set out in the Procedures.~~

~~4. Economic Terms will be as set out in the information received by the Clearing House from the relevant ATP in respect of the EquityClear (Equities) ATP Match or EquityClear Novation Transaction giving rise to the EquityClear (Equities) Contract except that:~~

~~in respect of an EquityClear (Equities) ATP Match or EquityClear Novation Transaction under Regulation 62A or 62B respectively, where such information specifies the EquityClear Clearing Members as the~~

~~Buyer under the EquityClear (Equities) ATP Match or EquityClear Novation Transaction, with the other party as Seller, the Clearing House will be Seller under the EquityClear (Equities) Contract; or~~

~~Seller under the EquityClear (Equities) ATP Match or EquityClear Novation Transaction, with the other party as Buyer, the Clearing House will be the Buyer under the EquityClear (Equities) Contract.~~

~~5. **Third Party Rights**~~

~~A person who is not a party to an EquityClear (Equities) Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of an EquityClear (Equities) Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

~~6. **Regulations**~~

~~Each EquityClear (Equities) Contract shall be subject to the Regulations, which shall form a part of its terms.~~

**7. ~~EquityClear (Equities) Contracts~~ Governing Law**

~~Each EquityClear (Equities) Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.~~

**8. ~~EquityClear (Equities) ATP Matches and EquityClear Novation Transactions~~**

~~Without prejudice to these Regulations or the Procedures, the relevant ATP Market Rules shall apply in respect of EquityClear (Equities) Contracts, and such EquityClear (Equities) Contracts shall be settled in accordance with the ATP Market Rules, the settlement rules of the relevant Approved EquityClear Settlement Provider, and these Regulations and Procedures, including but not limited to the relevant provisions in respect of suspension of settlement, for instance on the insolvency of the issuer of the relevant securities, or otherwise. Where there is any conflict between any term of any ATP Market Rule or any term of the settlement rules of any Approved EquityClear Settlement Provider, and the Regulations and Procedures of the Clearing House, the latter shall prevail.~~

**SCHEDULE TO THE EQUITYCLEAR REGULATIONS**

**Part B**

**EquityClear Eligible (Equities)**

~~Such securities, as are prescribed, for these purposes from time to time by the Clearing House, and published by the Clearing House, in accordance with the Procedures.~~

**SCHEDULE TO THE EQUITYCLEAR REGULATIONS****Part C****EquityClear (ccCFD) Contract Terms**

The terms of an EquityClear (ccCFD) Contract shall include these EquityClear (ccCFD) Contract Terms which shall comprise:

- (1) Interpretation section;
- (2) Economic Terms; and
- (3) Standard Terms — (i) Specific Standard Terms and (ii) General Standard Terms.

**1. Interpretation Section**

1.1 Save as otherwise specified herein, words and phrases defined elsewhere in the General Regulations, Procedures and Default Rules of the Clearing House (together, and as amended from time to time, the "**Rulebook**") shall have the same meanings in these EquityClear (ccCFD) Contract Terms.

1.2 In the event of any inconsistency between these LCH EquityClear (ccCFD) Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

1.3 In these EquityClear (ccCFD) Contract Terms, the following terms have the following meanings:

“**Benchmark Interest Rate**” means the relevant interbank cash interest rate applicable to the Relevant Currency;

“**Contract Date**” means the date on which the EquityClear (ccCFD) Contract is first entered into by the Clearing House;

“**Contract Quantity**” means the number of Units bought or sold under the EquityClear (ccCFD) Contract;

“**Relevant ATP**” means the ATP on which the EquityClear ATP Match underlying this EquityClear (ccCFD) arises;

“**Relevant Currency**” means the currency in which an EquityClear (ccCFD) Contract is traded and will be settled, as identified in the Economic Terms;

“**Spread Charge**” means the daily cost charged by LCH for holding an open position in an EquityClear (ccCFD) Contracts;

“**Underlying Exchange**” means the exchange on which an Underlying Security is listed;

“**Underlying Instrument**” means the Underlying Security, index, commodity, currency pair or other asset or product that is the subject matter of an EquityClear (ccCFD) Contract;

~~"Underlying Security" Means the equity security listed by the Underlying Exchange and identified as the Underlying Instrument in the Economic Terms~~

~~"Unit" means the minimum quantity of the relevant Underlying Instrument may be bought or sold under an EquityClear (ccCFD) Contract.~~

## ~~2. Economic Terms~~

~~2.1 The Economic Terms of a EquityClear (ccCFD) Contract shall comprise details of:~~

- ~~(a) Buyer~~
- ~~(b) Seller~~
- ~~(c) Price~~
- ~~(d) Contract Quantity~~
- ~~(e) Relevant Currency~~
- ~~(f) Underlying Instrument~~
- ~~(g) Unit~~

~~2.2 The Economic Terms of an EquityClear (ccCFD) Contract will be as set out in the information received by the Clearing House from the relevant ATP in respect of an EquityClear ATP Match except that (a) where such information specifies an EquityClear Clearing Member as the buyer, the Clearing House shall be the seller; and (b) where such information specifies an EquityClear Clearing Member as the seller, the Clearing House shall be the buyer.~~

## ~~3. Specific Standard Terms~~

~~3.1 Contracts for Difference on Equities~~

## ~~4. General Standard Terms~~

~~The following General Standard Terms apply to all EquityClear (ccCFD) Contracts:~~

~~4.1 Term~~

~~This EquityClear (ccCFD) Contract shall be of indefinite duration, subject to termination in accordance with the Rulebook.~~

~~4.2 Daily Settlement~~

~~This EquityClear (ccCFD) Contract shall be subject to daily settlement in accordance with the Rulebook.~~

~~4.3 Lack of Daily Settlement Price~~

~~If no Daily Settlement Price is available, for whatsoever reason, the Clearing House may, in consultation with the Relevant ATP, fix an alternative at a price determined by them, in their absolute discretion, as being consistent with cash market values of the Underlying Instrument.~~

~~4.4 Financing Amount~~

~~A daily Financing Amount will be calculated and payable daily by reference to the net number of those open EquityClear (ccCFD) Contracts held by the Buyer and Seller in its House account and~~

~~Client account. The Financing Amount will be calculated in arrears commencing 3 days from the trade date.~~

~~The daily Financing Amount is based on two components: (i) the Benchmark Interest Rate; and (ii) the Spread Charge. Holders of long positions pay the daily Benchmark Interest Rate and pay or receive the Spread Charge. Holders of short positions receive the daily Benchmark Interest Rate and pay or receive the Spread Charge. At the end of each day, the daily Financing Amount of each position is calculated, using the following formula:~~

~~Long CFD (adjustable by trade source and currency)~~

$$~~F = n \times p \times (L +/- CMIs) \times (d / b)~~$$

~~Short CFD (adjustable by trade source and currency)~~

$$~~F = n \times p \times (L +/- CMss) \times (d / b)~~$$

~~Where:~~

~~4.5 ——— Third Party Rights~~

~~A person who is not a party to an EquityClear (ccCFD) Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of an EquityClear (ccCFD) Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

~~4.6 ——— Regulations~~

~~Each EquityClear (ccCFD) Contract shall be subject to the Regulations, which shall form a part of its terms.~~

~~4.7 ——— Governing Law~~

~~Each EquityClear (ccCFD) Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts~~

**CHAPTER XVII – LCH ENCLEAR OTC REGULATIONS****Regulation 68 REGULATION 73 APPLICATION OF LCH ENCLEAR OTC REGULATIONS**

(a) The Clearing House shall provide the LCH EnClear OTC ~~Regulations, which form part of the Regulations, together~~ Service subject to and in accordance with the ~~Regulations referred to in paragraph (b) apply to~~ terms of these LCH EnClear OTC ~~Contracts and LCH EnClear OTC Clearing Members~~ Regulations and the Procedures.

~~The Default Rules, Default Fund Rules, the definitions and Regulations 1, 2, 3(b), 4, 5, 8, 9(b) and (e), 10, 11, 12, 14, 16, 23, 24, 26 to 39B inclusive (other than Regulation 35(a) and Regulation 37(b)) of the General Regulations apply to LCH EnClear OTC Contracts and~~ LCH EnClear OTC Clearing Members shall be bound by these LCH EnClear OTC ~~Clearing Members.~~



~~Registration of LCH EnClear Contracts~~

~~{Regulations 69-73 (inclusive) are no longer in force.}~~

~~LCH EnClear Contracts~~

~~{Regulations 69-73 (inclusive) are no longer in force.}~~

~~LCH EnClear Third Party Clearing Participants~~

~~{Regulations 69-73 (inclusive) are no longer in force.}~~

~~Daily Settlement~~

~~{Regulations 69-73 (inclusive) are no longer in force.}~~

~~Withdrawal of the LCH EnClear Service by the Clearing House~~

~~{Regulations 69-73 (inclusive) are no longer in force.}~~

### ~~Registration of LCH EnClear OTC Contracts~~

~~An Application to become an LCH EnClear OTC Clearing Member must submit particulars of an Eligible OTC Trade for registration as an LCH EnClear OTC Contract, through such means as shall be prescribed by the Procedures.~~

~~Without prejudice to the Clearing House's rights under paragraph shall be made in accordance with (f) Regulation 73 of this Regulation, an LCH EnClear OTC Clearing Member shall be bound by an LCH EnClear OTC Contract registered in its name pursuant to the presentation of particulars of an Eligible OTC Trade by it or on its behalf, or by an Approved Broker or presented by another LCH EnClear OTC Clearing Member provided that the particulars of such Eligible OTC Trade are submitted to the Clearing House through such means as shall be prescribed by the Procedures.~~

~~Without prejudice to the Clearing House's rights under paragraph (fd) of this Regulation, an Eligible OTC Trade, particulars of which are submitted for registration as an LCH EnClear OTC Contract, must meet the eligibility criteria prescribed in these Regulations and the Procedures at the time the particulars of such Eligible OTC Trade are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an LCH EnClear OTC Contract.~~

(b) The Clearing House shall be deemed to register an and (e). Other than as expressly specified in this Regulation 75, the remainder of the Regulations shall not apply to the LCH EnClear OTC Service. A summary table of those Regulations which apply to the LCH EnClear OTC Service as described in Regulation 73(a) to (q) is provided at Regulation 73(r).

(c) Regulation 2 and Regulation 3 of the Regulations apply to the LCH EnClear OTC Service.

### LCH EnClear OTC Clearing Membership

(d) A Clearing Member may apply to become an LCH EnClear OTC Clearing Member in accordance with the Procedures.

(e) Regulation 4 applies to membership of the LCH EnClear OTC Service and applications for such membership.

(f) Regulation 5 applies to an LCH EnClear OTC Clearing Member.

### Accounts

(g) Regulation 10 applies to the opening and operation of accounts with respect to an LCH EnClear OTC Clearing Member. Such accounts shall be designated in accordance with Regulation 15.

### Client Clearing

(h) Regulation 11 applies to those LCH EnClear OTC Clearing Members who provide (or wish to provide) Client Clearing Services.

### Formation, registration and transfers of LCH EnClear OTC Contracts

- (i) Regulation 16, Regulation 17 and Regulation 74 apply to the formation and registration of an LCH EnClear OTC Contract.
- (j) Regulation 73 to Regulation 75 apply to the LCH EnClear OTC Service.
- (k) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to an LCH EnClear OTC Contract, ~~in accordance with Regulation 73A in the name of~~ that is an open contract.

### Margin and Collateral

- (l) Regulation 20 applies to an LCH EnClear OTC Clearing Member ~~at the time prescribed in the~~.

### Reference prices and Revaluation

- ~~(d)~~(m) Regulation 22 applies to open LCH EnClear Procedures (“Registration Time”). OTC Contracts.

~~For the avoidance of doubt, any transaction of which details have been submitted by or on behalf of, a LCH EnClear OTC Clearing Member or by an Approved Broker for registration as an LCH EnClear OTC Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~

~~If at any time after registration of an LCH EnClear OTC Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the Product Eligibility Criteria set out in Section 1.2 of Part B of the Schedule to the EnClear OTC Regulations, the Clearing House shall, as soon as practicable thereafter, set aside such LCH EnClear OTC Contract. Upon the LCH EnClear OTC Contract being set aside under this Regulation 73A(f), the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House and such transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the parties thereto. Any payment made under, or in respect of, an LCH EnClear OTC Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 73A(f), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an LCH EnClear OTC Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an LCH EnClear OTC Contract.~~

### ~~LCH EnClear OTC Contracts~~

~~Without prejudice to the Clearing House's rights to effect further novation under Regulation 3(b), an Eligible OTC Trade presented for registration to, and accepted by the Clearing House, shall be registered by the Clearing House as two LCH EnClear OTC Contracts, one between the First LCH EnClear OTC Clearing Member being the seller, or party paying a Fixed Price (as the case may be) and the Clearing House as buyer, or the party paying a Floating Price (as the case may be) as principals to such contract, and the other between the Clearing House as the seller or party paying a Fixed Price (as the case may be) and the Second LCH EnClear OTC Clearing Member being the buyer or the party paying a Floating Price (as the case may be) as principals to such contract. For the purposes of this Regulation:~~

~~"First LCH EnClear OTC Clearing Member" is an LCH EnClear OTC Clearing Member who was, before registration of the LCH EnClear OTC Contract, party to the corresponding Eligible OTC Trade as the seller, or party paying a Fixed Price (as the case may be), or, if appropriate, who has Accepted such Eligible OTC Trade in accordance with the relevant Procedures; and~~

~~"Second LCH EnClear OTC Clearing Member" is an LCH EnClear OTC Clearing Member who was, before registration of the LCH EnClear OTC Contract, party to the corresponding Eligible OTC Trade as the buyer, or the party paying a Floating Price (as the case may be), or, if appropriate, who has accepted such Eligible OTC Trade in accordance with the relevant Procedures.~~

~~For the purposes of this Regulation 73B, "Accepted" shall mean that the relevant LCH EnClear OTC Clearing Member has agreed, by such means as may be prescribed from time to time by the Procedures, to become counterparty with the Clearing House to such LCH EnClear OTC Contract.~~

~~With effect from registration of an Eligible OTC Trade as two LCH EnClear OTC Contracts under paragraph [Arbitration](#)~~

~~(a) [Regulation 33](#) of this Regulation:~~

~~the parties to the corresponding Eligible OTC Trade, to the extent that they are bound by these Regulations, shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time; where the parties to the corresponding OTC Eligible Trade are not bound by these Regulations, such trade shall be dealt with according to the terms agreed by the parties to that trade;~~

~~(ii)(n) each LCH EnClear OTC Contract registered under paragraph [and \(a\) Regulation 34](#) of this Regulation shall be governed by the relevant [apply to](#) LCH EnClear OTC Contract Terms as applicable to that Contract; [Contracts](#).~~

~~subject always to sub-paragraph [Other Applicable Regulations](#)~~

~~(ii) above [Regulation 37](#), in respect of the Economic Terms, the First LCH EnClear OTC Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the LCH EnClear OTC Contract to~~



~~which it is party as the seller had and owed in respect of its counterparty under the corresponding Eligible OTC Trade; and~~

~~(o) subject always to sub-paragraph to (ii) above Regulation 46, in respect of the Economic Terms, the Second inclusive apply to LCH EnClear OTC Clearing Member shall have the same rights against Members and owe the same obligations to, the Clearing House under the LCH EnClear OTC Contract Contracts.~~

### Default Rules

(p) The Default Rules apply to LCH EnClear OTC Clearing Members and LCH EnClear OTC Contracts.

### Clearing House Settlement Finality Regulations

(q) The Clearing House Settlement Finality Regulations apply in relation to LCH EnClear OTC Clearing Members and LCH EnClear OTC Contracts.

### Summary table of Regulations which it is party as apply to the buyer, had and owed LCH EnClear OTC Service

The Regulations listed in respect of its counterparty under the corresponding Eligible OTC Trade.

(r) In sub-paragraphs this (iii) Regulation 73 and (iv) above) apply to the LCH EnClear OTC Service as described under Regulation 73(a) to (q).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 9	<a href="#">Service Withdrawal</a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	Designation
0	Registration
Regulation 17	Trading Information

<b>Regulation</b>	<b>Title</b>
0	Transfer
Regulation 20	Margin and Collateral
0	Official Quotations and Reference Price
0	Other modes of settlement and Revaluation
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
0(b)	Interpretation of these Regulations
0	Waiver
0(a)	Validity of Regulations and Action
0(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 73 to Regulation 75	LCH EnClear OTC Regulations

<i>Regulation</i>	<i>Title</i>
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

~~, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding Eligible OTC Trade (it being assumed, for this purpose, that such Eligible OTC Trade was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.~~

~~If an Eligible OTC Trade is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any LCH EnClear OTC Contract arising under this Regulation, Regulation 3(b) or Regulation 11.~~

~~In the case of a LCH EnClear OTC 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 Regulation 73B shall take effect.~~

**REGULATION 74 REGISTRATION OF LCH ENCLEAR OTC CONTRACTS**

- (a) An LCH EnClear OTC Clearing Member must submit particulars of an Eligible OTC Trade for registration as an LCH EnClear OTC Contract, through such means as shall be prescribed by the Procedures.

**Regulation 73R** REGULATION 75 DAILY SETTLEMENT

- (a) Where the LCH EnClear OTC Procedures so provide, in respect of any Eligible OTC Trade, and any LCH EnClear OTC Contract arising therefrom the Clearing House may ~~a~~effect the daily settlement to market, of such open LCH EnClear OTC Contracts in accordance with the Procedures.
- (b) The Clearing House may, in accordance with the Procedures, in respect of each such open LCH EnClear OTC Contract in an LCH EnClear OTC Clearing Member's name which is subject to daily settlement to market, effect and register a settlement contract, being a contract on the same terms (except as to price) as the open contract, save that where that Clearing Member is the seller or the party paying a Fixed Price (as the case may be) under the terms of the open contract, that Clearing Member shall be the buyer or the party paying a Floating Price (as the case may be) under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant Reference Price for that day. The Clearing House shall thereupon settle each open contract against the respective settlement contract in accordance with the Procedures.
- (c) Upon completion of the procedure~~duress~~ set out in paragraph ~~(b) above,~~(b) above, the Clearing House may, if the Procedures so provide, calculate the daily settlement amounts in accordance with the Procedures and may thereafter ~~make-up~~debit or credit (as the case may be) the LCH EnClear OTC Clearing Member's account and upon the Clearing House so doing, that Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising in accordance with the arrangements set out in the Procedures in respect of the relevant LCH EnClear OTC Contract.
- (d) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph ~~(e) above~~(c) above in the manner prescribed by the Procedures, in respect of those open LCH EnClear OTC Contracts in an LCH EnClear OTC Clearing Member's name which have been settled pursuant to paragraph ~~(b) above,~~(b) above and which are subject to daily settlement to market, register at the Reference Price referred to in paragraph ~~(b) above,~~(b) above, which price shall be deemed to be the Traded Price, contracts in that Clearing Member's name as open LCH EnClear OTC Contracts on the same terms (except as to price) as the settled open contracts, save that no contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that Clearing Member's name.

~~{This provision has been left blank intentionally}~~

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~~Withdrawal of the LCH EnClear OTC Services by the Clearing House~~

~~If at any time the Clearing House decides to withdraw its LCH EnClear OTC Services (or any part of it) it shall give not less than six months' notice in accordance with the Procedures to all LCH EnClear OTC Clearing Members of the date on which the service will be withdrawn ("the LCH EnClear OTC Services Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non receipt of notice under this Regulation by a LCH EnClear OTC Clearing Member shall not invalidate the LCH EnClear OTC Services Withdrawal Date. Where only a part of the LCH EnClear OTC Services is being withdrawn, notice shall only be given to those LCH EnClear OTC Clearing Members authorised or approved to participate in that part of the Services.~~

~~Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register an LCH EnClear OTC Contract, other than a closing out contract after notice to withdraw the service has been given under Regulation 73E(a).~~

~~If, at the LCH EnClear OTC Services Withdrawal Date, an LCH EnClear OTC Clearing Member has not closed out all open LCH EnClear OTC Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to:~~

~~liquidate any or all of such LCH EnClear OTC Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and~~

~~postpone the LCH EnClear OTC Services Withdrawal Date until such time as the Clearing House determines.~~

**SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS****Part A****LCH EnClear OTC Contract Terms**

~~Where an LCH EnClear OTC Contract arises between the Clearing House and an LCH EnClear OTC Clearing Member pursuant to the Regulations and the terms of any agreement between them, the terms of a registered LCH EnClear OTC Contract shall include these LCH EnClear OTC Contracts Terms which shall comprise:~~

- ~~(1) Interpretation and Definitions;~~
- ~~(2) Economic Terms;~~
- ~~(3) Specific Standard Terms\*<sup>1</sup>; and~~
- ~~(4) General Standard Terms~~

**~~Section 1 Interpretation and Definitions: General~~**

~~1.1 [This section has been removed.]~~

~~1.2 Words and expressions used in these LCH OTC EnClear OTC Contract Terms shall have the same meaning as in the General Regulations, Default Rules and Procedures of the Clearing House (together, and as amended from time to time, the “Regulations”).~~

~~1.3 The accidental omission to give any notice which may be required under the Regulations or Procedures for the amendment of these Contract Terms, or the non receipt of any such notice by any LCH EnClear OTC Clearing Member shall not invalidate the amendment with which such notice is concerned.~~

~~1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~1.5 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.~~

~~1.6 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.~~

~~1.7 “US Business Day” means a day upon which banks in the United States of America are generally open to settle payments and for general business. “UK Business Day” means a day upon which banks in England and Wales are generally open to settle payments and for general business.~~

**~~Section 2 Economic Terms~~**



~~2.1 — The Economic Terms of an LCH EnClear OTC Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding Eligible OTC Trade in respect of the terms designated as Economic Terms in this Schedule.~~

~~2.2 — It is part of the eligibility criteria for registration as an LCH EnClear OTC Contract that the particulars of an Eligible OTC Trade presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the Procedures.~~

~~2.3 — The Economic Terms comprise:~~

~~(a) — Fixed Rate Payer or seller;~~

~~(b) — Floating Rate Payer or buyer;~~

~~(c) — Contract;~~

~~(d) — Contract Series;~~

~~(e) — Quantity;~~

~~(f) — Delivery Period (where applicable);~~

~~(g) — Fixed Price or Traded Price (as the case may be);~~

~~(h) — Floating Price (where applicable).~~

~~PROVIDED, however, that, as set out in Regulation 73B where the Eligible OTC Trade specifies an LCH EnClear OTC Clearing Member as the party paying the Fixed Price or being the seller (“the First LCH EnClear OTC Clearing Member”) with the other LCH EnClear OTC Clearing Member as the party paying the Floating Price or being the buyer (“the Second LCH EnClear OTC Clearing Member”) the Clearing House, in respect of each LCH EnClear OTC Contract it is party to pursuant to the corresponding Eligible OTC Trade, shall be (i) the party paying the Floating Price or the buyer to the First LCH EnClear OTC Clearing Member under the LCH EnClear OTC Contract; and (ii) the party paying the Fixed Price or seller to the Second LCH EnClear OTC Clearing Member under the LCH EnClear OTC Contract.~~

### ~~Section 3 — Specific Standard Terms For LCH EnClear OTC Contracts~~

~~{Sections 3.1 and 3.2 no longer in force}~~

#### ~~3.3 — LCH EnClear OTC Services: Energy Division~~

~~The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade in the Energy Division of the LCH EnClear OTC Services.~~

~~3.3A — No longer in force~~

~~3.3B — No longer in force~~

#### ~~3.3C — LCH EnClear OTC Services: Energy~~

##### ~~3.3C.1 — Standard Terms: Additional Definitions~~

~~The following additional definitions shall apply to any LCH EnClear OTC Contract within the LCH EnClear OTC Services: Energy Division.~~

### ~~3.3C.2 — Standard Terms: Additional Provisions~~

#### ~~(a) — Suspension Event~~

~~If and to the extent that the performance of any LCH EnClear OTC Contract is frustrated by a Suspension Event, that event shall be deemed to be an event beyond the reasonable control of the parties for the purposes of Regulation 27 of the General Regulations and the Clearing House may act accordingly. In such circumstances, the Clearing House may, without limitation and acting in its sole discretion, issue directions such that the obligations of the Clearing Members under any affected LCH EnClear OTC Contract shall be fulfilled at such future time and by such means as the Clearing House may acting in its sole discretion determine.~~

#### ~~(b) — Abandonment of ITL Operation~~

~~Without prejudice to or limitation of any powers that the Clearing House may have under the General Regulations, if by official announcement of the European Commission or the UNFCCC or by joint announcement of those bodies it is established that ITL Operation will not be achieved during the Compliance Period, the Clearing House may invoice back such LCH EnClear OTC Contracts as are open at the relevant time. If and when LCH EnClear OTC Contracts are invoiced back in such circumstances, opposite contracts shall be effected and registered at the LEBA Index price published on the business day immediately preceding the day on which the official announcement referred to above is made. If such price is not available for whatever reason, or if in all the circumstances it would be unreasonable to use such price in the opinion of the Clearing House, opposite contracts shall be effected and registered at such other price as the Clearing House shall, acting in its sole discretion, reasonably determine.~~

~~(c) **REGULATION 1 EXCLUSION OF LIABILITY**~~

~~Without prejudice to the General Regulations, including without limitation those provisions of the General Regulations concerning liability, the Clearing House excludes all liability of any kind to the fullest extent possible in respect of any performance of or failure to perform an LCH EnClear OTC Contract that may be attributable to:~~

- ~~(i) the lack of availability, failure and/or malfunction of any system, device, software or hardware which forms part of the Scheme or which has been designed for use in connection with it;~~
- ~~(ii) any act or omission by any third party in connection with the Scheme.~~

~~3.3D **Standard Terms: Basic Provisions – EUAs**~~~~3.3E **Standard Terms: Basic Provisions – CERs**~~~~3.3F **Standard Terms: Basic Provisions – EUA Spot Contract**~~~~3.3G **Standard Terms: Basic Provisions – CER Spot Contract**~~~~3.3H **Standard Terms: Basic Provisions – EUA Options Contract**~~~~3.3I **Standard Terms: Basic Provisions – CER Options Contract**~~~~3.4 **LCH EnClear OTC Services: Freight Division**~~

~~The following terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade in the Freight Division of the LCH EnClear OTC Service.~~

~~3.4.1 **Standard Terms: Additional Definitions**~~

~~“*Baltic Exchange*” means The Baltic Exchange Limited of St Mary Axe, London EC3A 8BH, UK.~~

~~“*FIS*” means Freight Investor Services Pte Ltd of 16 Collyer Quay, 10-01 Hitachi Tower, Singapore.~~

~~“*Flat Rate*” means an amount in respect of each pricing date expressed in US\$/mt for that route for that pricing date as published by the Worldscale Association (London) Ltd, and the Worldscale Association (NYC) Inc.~~

~~“*LEBA*” means The London Energy Brokers Association~~

~~“*mt*” means metric tonnes.~~

~~“*Reference Price*” means the daily or final settlement price, as the case may be, for that route, as set out herein below.~~

~~“*Shanghai Shipping Exchange*” means Shanghai Shipping Exchange of 88 Yang Shu Pu Road, Shanghai 200082, PRC.~~

~~“*TSI*” means The Steel Index Limited of Palladium House, 1-4 Argyll Street, London W1F 7LD.~~

~~"WCI" means World Container Index of 15 Christopher Street, London EC2A 2BS.~~

~~"Worldscale Point" or "WS Point" means a point of the pricing index operated by the Worldscale Association.~~

~~"Worldscale Rate" or "WS Rate" means the number of Worldscale Points.~~

~~Tanker Voyage Routes, Dry Voyage Routes, Dry Timecharter Basket Routes, Dry Trip Timecharter Routes and Timecharter Voyage Routes are those defined by the Baltic Exchange.~~

~~3.4.2 The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade (Freight Division).~~

~~The table below shows which set of terms (identified by the individual sub-section number of this section 3) applies to the relevant type of freight forward contract or option contract and route:~~

~~3.4A Cash Settled Freight Forward Contracts: \$ Per Tonne Tanker Voyage Routes~~

~~3.4B Cash Settled Freight Forward Contracts: Dry Voyage Routes~~

~~3.4C Cash Settled Freight Forward Contracts: Dry Timecharter Basket Routes~~

~~3.4D Cash Settled Freight Forward Contracts: Dry Trip Timecharter Routes~~

~~3.4E Cash Settled Freight Forward Contracts: Dry Timecharter Voyage Route~~

~~3.4F Cash Settled Premium Paid Options: Dry Timecharter Trip & Basket Routes~~

~~3.4G Cash Settled Freight Index Contract: Baltic Exchange Dry Index~~

~~3.4H Cash Settled SCFI Container Freight Swap Agreement~~

~~3.4I Cash Settled WCI Container Freight Swap Agreement~~

~~3.4J Cash Settled Iron Ore Swap~~

~~3.4K Cash Settled Premium Paid Iron Ore Option~~

~~3.4L Cash Settled Fertilizer Swaps~~

~~3.4M Fertilizer Swap Option~~

~~3.4N European Hot Rolled Coil Steel Swaps~~

~~3.4O Chinese Hot Rolled Coil Steel Swaps~~

~~3.4P Turkish Import Scrap Steel Swap~~

~~3.4Q Chinese Domestic Hot Rolled Ribbed Bar Steel Swap~~

~~3.4R Cash Settled API 2 (cif ARA) Coal Swap Contract~~

~~3.4S Cash Settled API 4 (fob Richards Bay) Coal Swap Contract~~

~~3.4T Cash Settled Premium Paid Option: API 2 if ARA (Argus/McCloskey) Coal Options Contract~~

~~3.4U Cash Settled Premium Paid Option: API 4 fob Richards Bay (Argus/McCloskey) Coal Options Contract~~

### ~~3.5 — LCH EnClear OTC Services: Precious Metals Division~~

~~The following terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contracts arising from an Eligible OTC Trade in the Precious Metals Division of the LCH EnClear OTC Services.~~

#### ~~3.5.1 — Standard Terms: Additional Definitions~~

~~The following additional definitions shall apply to any LCH EnClear OTC Contract within the LCH EnClear OTC Services: Precious Metals Division.~~

#### ~~3.5.2 — Standard Terms: Basic Provisions – Gold~~

#### ~~3.5.3 — Standard Terms: Basic Provisions – Silver~~

### ~~Section 4 — General Standard Terms~~

~~4A. — The following General Standard Terms apply to all LCH EnClear OTC Contracts:~~

#### ~~4A.1 — Payment of Stamp Tax and Other Taxes~~

- ~~(a) — All payments due under an LCH EnClear OTC Contract shall be made by the LCH EnClear OTC Clearing Member free and clear and without deduction or withholding for or on account of any tax.~~
- ~~(b) — The Clearing House shall make any payments due to an LCH EnClear OTC Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~
- ~~(c) — The LCH EnClear OTC Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this LCH EnClear OTC Contract.~~

#### ~~4A.2 — Payment of Stamp Tax~~

- ~~(a) — The LCH EnClear OTC Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any LCH EnClear OTC Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (“Stamp Tax Jurisdiction”) or by any other jurisdiction.~~
- ~~(b) — The LCH EnClear OTC Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any LCH EnClear OTC Contract registered by the Clearing House and to which that Clearing Member is a party.~~

#### ~~4A.3 — Payments under an LCH EnClear OTC Contract~~

- ~~(a) — The Clearing House shall, unless specified otherwise in the Procedures, effect daily settlement to market of open LCH EnClear OTC Contracts in accordance~~

~~with the Regulations. Any Reference Price shall be determined in accordance with the Regulations and Procedures.~~

- ~~(b) Payments under, and in respect of, an LCH EnClear OTC Contract shall be calculated by the Clearing House and shall be made by, or to, the LCH EnClear OTC Clearing Member in accordance with the provisions of the Regulations and the Procedures.~~

#### ~~4A.4 Regulations~~

~~This LCH EnClear OTC Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these LCH EnClear OTC Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.~~

#### ~~4A.5 Governing Law~~

~~This LCH EnClear OTC Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The LCH EnClear OTC Clearing Member party to this LCH EnClear OTC Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~4A.6 Third Party Rights~~

~~A person who is not a party to this LCH EnClear OTC Contract shall have no rights under or in respect of this LCH EnClear OTC Contract. Rights of third parties to enforce any terms of this LCH EnClear OTC Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

- ~~4B. The following Standard Terms apply only in respect of LCH EnClear OTC Contracts arising from Eligible OTC Trades (Precious Metals Division):~~

##### ~~Unavailability of any Reference Price~~

~~In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided, in respect of the Daily Settlement Price, by one or more LBMA market makers, or, in respect of the Final Settlement Price, by one or more Members of the London Gold Market Fixing Ltd.~~

- ~~4C. The following Standard Terms apply only in respect of LCH EnClear OTC Contracts arising from Eligible OTC Trades (Freight Division):~~

#### ~~4C.1 Unavailability of any Reference Price~~

~~In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing~~

~~House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.~~

~~4C.2 — Calculation Agent~~

~~The Calculation Agent is the Clearing House.~~

~~4C.3 — Change in Route~~

~~In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.~~

~~SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS~~

~~Part B~~

~~Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract~~

~~1. Eligible OTC Trades~~

~~(a)~~

~~1.2 Product Eligibility Criteria for Eligible OTC Trades~~

~~1.2.1 [This section has been removed]~~

~~1.2.2 [This section has been removed]~~

~~1.2.3 Product Eligibility Criteria for Eligible OTC Trades in Energy Division and in the Freight Division~~

~~The following contracts are Eligible Products for the LCH EnClear OTC Services (Energy Division), LCH EnClear OTC Services (Freight Division) and LCH EnClear OTC Services (Precious Metals Division).~~



**CHAPTER XVIII ~~TURQUOISE DERIVATIVES~~ – TURQUOISE DERIVATIVES**  
**REGULATIONS**

**~~Regulation 74~~ REGULATION 76 APPLICATION OF REGULATIONS FOR TGHL MARKET**

(a) ~~These~~ The Clearing House shall provide the Turquoise Derivatives Service subject to and in accordance with the terms of these Turquoise Derivatives Regulations, ~~which form part of the Regulations, together with the Regulations referred to in paragraph (b), apply to:~~ and the Procedures.

~~Turquoise Derivatives Cleared Exchange Contracts arising from Turquoise Derivatives Transactions;~~

(b) ~~Clearing Members~~ Turquoise Derivatives Clearing Members shall be bound by these Turquoise Derivatives Regulations. Applications to become a Turquoise Derivatives Clearing Member shall be made in accordance with Regulation 76(d) and (e). Other than as expressly specified in this Regulation 76, the remainder of the Regulations shall not apply to the Turquoise Derivatives Service. A summary table of those Regulations which apply to the Turquoise Derivatives Service as described in Regulation 76(a) to (q) is provided at Regulation 76(r).

(c) Regulation 2 and Regulation 3 of the Regulations apply to the Turquoise Derivatives Service.

**Turquoise Derivatives Clearing Membership**

(d) A Clearing Member may apply to become a Turquoise Derivatives Clearing Member in accordance with the Procedures.

(e) Regulation 4 applies to membership of the Turquoise Derivatives Service and applications for such membership.

(f) Regulation 5 applies to a Turquoise Derivatives Clearing Member.

**Accounts**

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

**Client Clearing**

(h) Regulation 11 applies to those Turquoise Derivatives Clearing Members who provide (or wish to provide) Client Clearing Services.

**Formation, registration and transfers of Turquoise Derivatives Contracts**

(i) Regulation 16(b) to (e), Regulation 17, Regulation 78 and Regulation 79 apply to the formation and registration of a Turquoise Derivatives Contract.

(j) Regulation 76 to Regulation 87 apply to the Turquoise Derivatives Service.

(k) Regulation 18 (and, insofar as relevant, Regulation 12(b)) apply to a Turquoise Derivatives NCMs in their dealings Contract that is an open contract.

**Margin and Collateral**

(l) Regulation 20 applies to a Turquoise Derivatives Clearing Member.

**Reference prices and Revaluation**

(m) Regulation 22 applies to open Turquoise Derivatives Contracts.

**Arbitration**

(n) Regulation 33 and Regulation 34 apply to LME Contracts.

**Other Applicable Regulations**

(o) Regulation 37 to Regulation 46 inclusive apply to Turquoise Derivatives Clearing Members and Turquoise Derivatives Contracts.

**Default Rules**

(p) The Default Rules apply to Turquoise Derivatives Clearing Members and Turquoise Derivatives Contracts.

**Clearing House Settlement Finality Regulations**

~~(ii)~~(q) The Clearing House Settlement Finality Regulations apply in relation to the TGHL market; and Turquoise Derivatives Clearing Members and Turquoise Derivatives Contracts.

~~any relevant Co-operating Clearing House to the extent provided in any Link Agreement between the Clearing House and such Co-operating Clearing House.~~

**Summary table of Regulations which apply to the Turquoise Derivatives Service**

(r) The Regulations referred to listed in paragraph this (a) Regulation 76(r) apply to the Turquoise Derivatives Service as described under Regulation 76(a) to (q).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 7	<u>Non-Member Market Participant Status</u>
Regulation 9	<u>Service Withdrawal</u>

<b>Regulation</b>	<b>Title</b>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b) and (c)	Novation
0	Designation
0(b) to (e)	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Premium under Option Contracts
0	Official Quotations and Reference Price
0	Other modes of settlement and Revaluation
Regulation 26	Exercise of Options
0	Delivery Contract Arising upon the Exercise of an Option
0	Delivery Contracts
0(a), (b) and (c)	Arrangements for Delivery and Payment of Price
0	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 35	<a href="#"><u>Delivery (or other) Failures</u></a>
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back

<b>Regulation</b>	<b>Title</b>
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
0(b)	Interpretation of these Regulations
0	Waiver
0(a)	Validity of Regulations and Action
0(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 76 to 0	Turquoise Derivatives Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

~~are the Default Rules, Default Fund Rules, the Definitions and Regulations 1, 2, 3(b), 3(c), 4, 5, 8, 9(b), 9(c), save that the first sentence of Regulation 9(c) shall be subject to Regulation 81(e), 9(d), 10, 11, 12, 13, 14, 16, 17, 18, 19A, 21(a), (b) [and (c)], 22, [23,] 24, 26 to 39B inclusive.~~

**~~Regulation 75~~REGULATION 77 TURQUOISE DERIVATIVES ORDERBOOK MATCHES MADE ON TGHL MARKET**

(a) ~~This Regulation 75~~This Regulation 77 applies to Turquoise Derivatives Orderbook Matches made in accordance with the Exchange Rules pursuant to the matching of Turquoise Derivatives Trade Particulars submitted to the Turquoise Derivatives Orderbook by or on behalf of Members. This ~~Regulation 75~~Regulation 77 also applies to Turquoise Derivatives Orderbook Matches made on the Combined Turquoise Derivatives Orderbook. As between the Clearing House and a Clearing Member, in the event of any inconsistency between the Regulations (including the terms of any agreement entered into between a Clearing Member and the Clearing House) and the Exchange Rules, the Regulations shall prevail.

(b) The Clearing House will enter into Turquoise Derivatives Cleared Exchange Contracts with Clearing Members pursuant to Turquoise Derivatives Orderbook Matches made in the Turquoise Derivatives Orderbook in accordance with and subject to the following provisions of this ~~Regulation 75~~Regulation 77.

(c) This paragraph ~~(e)~~(c) shall be without prejudice to paragraph ~~(e)~~(m). The Clearing House makes an open offer to a Clearing Member to enter into a Turquoise Derivatives Cleared Exchange Contract in accordance with paragraph ~~(f)~~(f) of this ~~Regulation 75~~Regulation 77 in respect of a Turquoise Derivatives Orderbook Match made in the Turquoise Derivatives Orderbook in accordance with the Exchange Rules pursuant to the submission of Turquoise Derivatives Trade Particulars by or on behalf of that Clearing Member, **provided that** the following requirements shall have been satisfied:

~~in the case of any Turquoise Derivatives Trade Particulars submitted to the Turquoise Derivatives Orderbook by a Turquoise Derivatives NCM on behalf of the Clearing Member, there is in place at the time that the Turquoise Derivatives Trade Particulars were submitted and up to and including the time the Turquoise Derivatives Orderbook Match was made (for the purposes of this Regulation 75 (the “relevant times”), a Turquoise Derivatives NCM-GCM Agreement to which that Turquoise Derivatives NCM and the Clearing Member are party, in a form approved in writing by the Clearing House, and such Turquoise Derivatives NCM-GCM Agreement has not been terminated or suspended at the relevant times in accordance with the Turquoise Derivatives NCM-GCM Agreement by notice in writing given by one party to such Agreement to the other parties thereto and to TGHL;~~

~~(ii)~~(i) at the relevant times the Clearing Member was party to a valid and subsisting Clearing Membership Agreement;

~~(iii)~~(ii) at the relevant times, the Clearing Member has not been declared a ~~d~~Defaulter, by default notice or otherwise, by the Clearing House or TGHL;

~~(iv)~~(iii) the product the subject of the Turquoise Derivatives Orderbook Match is, at the relevant times, a Turquoise Derivatives Eligible Product;

~~(v)~~(iv) all necessary details as required by the Clearing House from time to time in respect of the Turquoise Derivatives Orderbook Match shall have been received by the Clearing House, through TGHL, in accordance with procedures established by the Clearing House with TGHL from time to time or otherwise. Such information must

be complete, must not be corrupted and must be legible at the time such details were received;

~~(vi)~~(v) at the time at which any Turquoise Derivatives Orderbook Match is effected, the Turquoise Derivatives Eligible Product which is the subject of the Turquoise Derivatives Orderbook Match is not subject to any trading halts, suspension of dealings or any other action having equivalent effect published by or on behalf of TGHL; and

~~(vii)~~(vi) at the relevant times, the Open Offer for Turquoise Derivatives in respect of Turquoise Derivatives Orderbook Matches made on TGHL has not been suspended or withdrawn generally or with respect to such Clearing Member.

(d) It is a requirement of the Exchange Rules and the Procedures that, in order for a Clearing Member to be eligible to have Turquoise Derivatives Cleared Exchange Contracts registered in its name with the Clearing House:

~~(vii)~~(i) the Clearing Member shall have executed such agreements or documents as may be required by the Clearing House from time to time in connection with the ~~Clearing House~~ Turquoise Derivatives Services;

~~(viii)~~(ii) there are in place appropriate arrangements (as prescribed from time to time by the Clearing House) between the Clearing Member (or its nominated agent) and an Approved Turquoise Derivatives Settlement Provider for the delivery, or receipt, as applicable, of any securities or other instruments which may be or become deliverable under the terms of a Turquoise Derivatives Cleared Exchange Contract.

The Clearing House shall be entitled to take such steps as are set out in the Procedures in respect of any Clearing Member who does not satisfy any of these requirements.

(e) For the purposes of this ~~Regulation 75~~, Regulation 77, Turquoise Derivatives Trade Particulars giving rise to a Turquoise Derivatives Orderbook Match in the EDX Orderbook are deemed to have been submitted by or on behalf of a Clearing Member if the details of a Turquoise Derivatives Orderbook Match, received by the Clearing House pursuant to ~~Regulation 75(e)-(v)~~ Regulation 77(c)(iv) identify, in accordance with the Exchange Rules or the Procedures, that Turquoise Derivatives Orderbook Match as having been made by or on behalf of that Clearing Member.

(f) If Turquoise Derivatives Trade Particulars have been submitted to the Turquoise Derivatives Orderbook by or on behalf of a Clearing Member as seller (for the purposes of this paragraph ~~(f)~~, (f), the "selling Clearing Member") and have been matched by, or in accordance with, the Exchange Rules with Turquoise Derivatives Trade Particulars which have been submitted to the Turquoise Derivatives Orderbook by or on behalf of another Clearing Member as buyer (for the purposes of this paragraph ~~(f)~~, (f), the "buying Clearing Member"), and the requirements stated in paragraph ~~(e)~~ (c) have been satisfied in respect of the selling Clearing Member and the buying Clearing Member, two Turquoise Derivatives Cleared Exchange Contracts shall arise immediately on registration by the Clearing House, as follows:

~~(ix)~~(i) the Clearing House shall be the buyer under one Turquoise Derivatives Cleared Exchange Contract with the selling Clearing Member as the seller; and

~~(x)~~(ii) the Clearing House shall be the seller under one Turquoise Derivatives Cleared Exchange Contract with the buying Clearing Member as the buyer.

(g) [This paragraph ~~(g)~~(g) shall be without prejudice to paragraph ~~(m)~~. Where pursuant to arrangements entered into between TGHL and one or more Co-operating Exchanges, Turquoise Derivatives Trade Particulars submitted by or on behalf of a Clearing Member to the Turquoise Derivatives Orderbook have been matched in the Combined Turquoise Derivatives Orderbook with Turquoise Derivatives Trade Particulars submitted by or on behalf of a Linked Member, the Clearing House shall, on receipt of details of such Turquoise Derivatives Orderbook Match through TGHL (or by such other means) and subject to the requirements of ~~Regulation 7(e)~~Regulation 14(c) having been met with respect to such Clearing Member and the relevant Co operating Clearing House being party to a valid and subsisting Link Agreement, register a Turquoise Derivatives Cleared Exchange Contract in the name of the Clearing Member and in the name of the relevant Co-operating Clearing House. The Clearing House shall be party:

~~(xi)~~(i) as seller to a Turquoise Derivatives Cleared Exchange Contract with the Clearing Member, where the Clearing Member is identified in the details received by TGHL as the buying Clearing Member and party as buyer to a Turquoise Derivatives Cleared Exchange Contract with such Co-operating Clearing House as seller; and

~~(xii)~~(ii) as buyer to a Turquoise Derivatives Cleared Exchange Contract with the Clearing Member, where the Clearing Member is identified in the details received by TGHL as the selling Clearing member and party as seller to a Turquoise Derivatives Cleared Exchange Contract with such Co-operating Clearing House as buyer.<sup>7</sup>

(h) Turquoise Derivatives Cleared Exchange Contracts registered in respect of a Turquoise Derivatives Orderbook Match shall be ~~in~~on the terms received by the Clearing House pursuant to ~~Regulation 75(e)(v)~~Regulation 77(c)(iv) and otherwise on the terms of the relevant Turquoise Derivatives Contract Specification contained in the Exchange Rules and any other terms specified in these Regulations and the Procedures. The Clearing House and the Clearing Member party to a Turquoise Derivatives Cleared Exchange Contract shall be obliged to perform their obligations thereunder in accordance with such terms and the Regulations.

(i) Subject to its rights to suspend the Open Offer for Turquoise Derivatives generally under ~~Regulation 6~~Regulation 82 or to withdraw the ~~Clearing House~~ Turquoise Derivatives Services in whole or in part as set out in these Regulations or the Procedures, the Clearing House undertakes to keep open the Open Offer for Turquoise Derivatives to a Clearing Member until the Member is no longer eligible under the Exchange Rules or these Turquoise Derivatives Regulations to have Turquoise Derivatives Cleared Exchange Contracts registered in its name or has given notice to the Clearing House, in accordance with the Procedures, stating that it no longer wishes to participate in the ~~Clearing House~~ Turquoise Derivatives Services.

(j) Without prejudice to the generality of ~~Regulation 39~~Regulation 52, any other provision of these Regulations, the Procedures or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall not be liable to any Clearing Member (or any other person, ~~including but not limited to any Turquoise Derivatives NCM~~, Co operating

<sup>7</sup> To delete if Oslo Interoperability Agreement is not approved.



Clearing House [or Linked Member]<sup>8</sup>), for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them if the Clearing House does not receive the details of a Turquoise Derivatives Orderbook Match pursuant to ~~Regulation 75(e)(v)~~[Regulation 77\(c\)\(iv\)](#) or does not receive accurate, complete or legible details of such Turquoise Derivatives Orderbook Match in accordance with such Regulation. The Clearing House shall be under no duty or obligation to verify the accuracy or completeness of details of Turquoise Derivatives Orderbook Matches received by the Clearing House through TGHL.

~~(k)~~ [\(k\)](#) Without prejudice to ~~Regulation 80~~[Regulation 35](#) or ~~Regulation 81~~[Regulation 81](#) a Clearing Member shall be bound by a Turquoise Derivatives Cleared Exchange Contract registered in its name in respect of a Turquoise Derivatives Orderbook Match under these Regulations and notwithstanding that the requirements of paragraph ~~(e)~~[\(c\)](#) may not have been satisfied in respect of the Clearing Member.

~~For the purposes of this Regulation 75, a Turquoise Derivatives NCM party to a Turquoise Derivatives NCM-GCM Agreement with a Clearing Member shall, in submitting Turquoise Derivatives Trade Particulars to the Turquoise Derivatives Orderbook, be deemed to act as the agent of that Clearing Member and accordingly to submit such Turquoise Derivatives Trade Particulars to the Turquoise Derivatives Orderbook on behalf of the Clearing Member. The Clearing Member shall be bound by all acts of such Turquoise Derivatives NCM as its agent under this paragraph (l), any other provision of these Regulations or any provision of the Procedures, a Turquoise Derivatives NCM-GCM Agreement or the Exchange Rules, notwithstanding any lapse of authority of such Turquoise Derivatives NCM so to act.~~

~~(m)~~[\(l\)](#) In the event of a dispute arising out of, or in respect of, the existence or terms of a Turquoise Derivatives Orderbook Match or, where applicable, whether Turquoise Derivatives Trade Particulars giving rise to a Turquoise Derivatives Orderbook Match were submitted by or on behalf of the Clearing Members in whose names Turquoise Derivatives Cleared Exchange Contracts have been (or are to be) registered by the Clearing House, such dispute shall be settled as provided for in the Exchange Rules relating to cancellation of incorrect transactions and Protests and, in connection with this, in accordance with ~~Regulation 80~~[Regulation 3](#).

~~The Clearing House shall be deemed to register a Turquoise Derivatives Cleared Exchange Contract in accordance with this Regulation 75 in the name of a Clearing Member at the time prescribed in the Procedures or, if such registration is effected pursuant to the paragraph 6(a) of the Default Rules, at the time chosen by the Clearing House.~~

~~(o)~~[\(m\)](#) If a Clearing Member fails to satisfy the criteria referred to in ~~Regulation 75(c)(i), (ii), (iii)~~[Regulation 77\(c\)\(i\) and \(ii\)](#) or the Open Offer for Turquoise Derivatives has been withdrawn with respect to such Clearing Member (as opposed to generally), the Clearing House may, in respect of any Turquoise Derivatives Orderbook Match which has been submitted by or on behalf of such Clearing Member to the Turquoise Derivatives Orderbook, register a Turquoise Derivatives Cleared Exchange Contract in the Turquoise Derivatives Account where required by, and in accordance with, arrangements agreed from time to time with TGHL. This paragraph shall not apply where both Clearing Members ~~([or a Clearing Member and a Linked Member])~~[\)\]](#)<sup>9</sup> party to a Turquoise Derivatives

<sup>8</sup> [To delete if Oslo Interoperability Agreement is not approved.](#)

<sup>9</sup> [To delete if Oslo Interoperability Agreement is not approved.](#)



Orderbook Match fails to satisfy the criteria referred to in ~~Regulation 75(e)~~[Regulation 77\(c\)](#).

**Regulation 76** ~~REGULATION 78~~ **REPORTED TRADES AND TURQUOISE DERIVATIVES OTC TRADES REPORTED TO TGHL FOR REGISTRATION**

- (a) ~~Regulations 76 and 77~~ Regulation 78(d) and 78(g) and the Procedures apply to Reported Trades and Turquoise Derivatives OTC Trades made by or on behalf of Clearing Members [or by or on behalf of a Clearing Member and a Member of a ~~Linked~~ Co-operating Exchange].<sup>10</sup> Reported Trades and Turquoise Derivatives OTC Trades will not be registered by the Clearing House unless the Clearing House accepts such trades for registration. Acceptance by the Clearing House of Reported Trades and Turquoise Derivatives OTC Trades for registration shall be at the discretion of the Clearing House.
- (b) Details of Reported Trades and Turquoise Derivatives OTC Trades made by or on behalf of Turquoise Derivatives Members which are reported to TGHL in accordance with Exchange Rules for registration with the Clearing House may only be submitted to the Clearing House by TGHL, who shall submit such details on behalf of the Clearing Members party thereto in accordance with arrangements made between the Clearing House and TGHL from time to time.
- (c) Details of Reported Trades and Turquoise Derivatives OTC Trades made by or on behalf of a Clearing Member [and a Linked Member may only be submitted to the Clearing House by TGHL, who shall submit such details on behalf of the Clearing Member and the relevant Co-operating ~~Clearing House~~ Exchange in accordance with arrangements made between the Clearing House and TGHL from time to time].<sup>11</sup>
- (d) If the Clearing House determines to accept a Reported Trade or Turquoise Derivatives OTC Trade for registration, the Clearing House shall arrange for TGHL to confirm the Clearing House's acceptance to the relevant Turquoise Derivatives Members [or to the relevant Turquoise Derivatives Member and the relevant Co-operating ~~Clearing House~~ Exchange].<sup>12</sup>
- (e) Subject to paragraph ~~(f)~~ (f), the Clearing House shall register Turquoise Derivatives Cleared Exchange Contracts which it has accepted for registration pursuant to ~~Regulation 76(d)~~ Regulation 78(d), at the time referred to in the Procedures and in accordance with ~~Regulation 77~~ Regulation 78(g).
- (f) The Clearing House shall not register a Reported Trade or Turquoise Derivatives OTC Trade, of which details have been reported to the Clearing House under paragraph ~~(e)~~ (c), if the relevant Co-operating ~~Clearing House~~ Exchange declines to enter into a Turquoise Derivatives Cleared Exchange Contract with respect to such Reported Trade.
- (g) Without prejudice to ~~Regulation 80 or Regulation 81~~ Regulation 35 or Regulation 81, a Clearing Member shall be bound by a Turquoise Derivatives Cleared Exchange Contract registered under ~~Regulation 77~~ Regulation 79 in its name pursuant to the presentation to the Clearing House by TGHL under paragraph ~~(b) or (e)~~ (b) or (c) of details of a Reported Trade or Turquoise Derivatives OTC Trade to which it ~~(or a Turquoise Derivatives NCM with whom it is party to a Turquoise Derivatives NCM GCM Agreement) is party.~~

<sup>10</sup> To delete if Oslo Interoperability Agreement is not approved.

<sup>11</sup> To delete if Oslo Interoperability Agreement is not approved.

<sup>12</sup> To delete if Oslo Interoperability Agreement is not approved.

~~For the purposes of this Regulation 76, a Turquoise Derivatives NCM party to a Turquoise Derivatives NCM-GCM Agreement with a Clearing Member shall, in submitting details of Reported Trades to TGH, be deemed to act as the agent of that Clearing Member. The Member shall be bound by all acts of such Turquoise Derivatives NCM as his agent under this paragraph 0, any other provision of these Regulations or any provision of the Procedures, a Turquoise Derivatives NCM-GCM Agreement or the Exchange Rules, notwithstanding any lapse of authority of such Turquoise Derivatives NCM to so act.~~

**Regulation 77**~~REGULATION 79~~ **REGISTRATION OF TURQUOISE DERIVATIVES CLEARED EXCHANGE CONTRACTS FOLLOWING SUBMISSION OF DETAILS OF A REPORTED TRADE OR TURQUOISE DERIVATIVES OTC TRADE**

(a) Details of a Reported Trade or Turquoise Derivatives OTC Trade accepted for registration by the Clearing House under ~~Regulation 76(d)~~Regulation 78(d) shall, subject to ~~Regulation 76(f)~~Regulation 78(f), be registered by the Clearing House as two Turquoise Derivatives Cleared Exchange Contracts between:

- (i) as seller, the Clearing Member, ~~or the Clearing Member party to a Turquoise Derivatives NCM-GCM Agreement with a Turquoise Derivatives NCM~~, who was named in the Reported Trade or Turquoise Derivatives OTC Trade as the seller (~~(or, where a Linked Member was named as the seller, the Member which is the relevant Co-operating Clearing House)~~)<sup>13</sup> and the Clearing House as buyer; and
- (ii) as buyer, the Clearing Member, ~~or the Clearing Member party to a Turquoise Derivatives NCM-GCM Agreement with a Turquoise Derivatives NCM~~ who was named in the Reported Trade or Turquoise Derivatives OTC Trade as the buyer (~~(or, where a Linked Member was named as the buyer, the Member which is the relevant Co-operating Clearing House)~~)<sup>14</sup> and the Clearing House as seller.

(b) Where a Reported Trade is accepted for registration by the Clearing House, each Turquoise Derivatives Cleared Exchange Contract registered under paragraph ~~(a) of this (a) Regulation 79 of this Regulation 77~~ shall be on the terms received by the Clearing House from TGHL and otherwise on the terms of the relevant Turquoise Derivatives Contract Specification contained in the Exchange Rules and any other terms specified in these Regulations and the Procedures. Where a Turquoise Derivatives OTC Trade is accepted for registration, each Turquoise Derivatives Cleared Exchange Contract registered under paragraph ~~(a)(a)~~ of this ~~Regulation 77~~Regulation 79 shall be on the terms set out in ~~Part A to the Schedule to these Turquoise Derivatives Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual.

(c) Without prejudice to ~~Regulation 80~~Regulation 9, if a Reported Trade is revoked, avoided or otherwise declared invalid for any reason by a person other than the Clearing House or TGHL after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any Turquoise Derivatives Cleared Exchange Contract arising under this Regulation or ~~Regulation 76(b)~~Regulation 78(b) and the Clearing Member party thereto shall be bound by such Turquoise Derivatives Cleared Exchange Contract.

~~The Clearing House shall be deemed to register a Turquoise Derivatives Cleared Exchange Contract in respect of a Reported Trade or Turquoise Derivatives OTC Trade in accordance with this Regulation 77 in the name of a Clearing Member at the time prescribed in the Procedures or, if registered by the Clearing House pursuant to rule 6(a) of the Default Rules, at the time chosen by the Clearing House.~~

<sup>13</sup> [To delete if Oslo Interoperability Agreement is not approved.](#)

<sup>14</sup> [To delete if Oslo Interoperability Agreement is not approved.](#)

### Delivery (or Other) Failures

~~Without prejudice to the Default Rules and the Procedures, if a Clearing Member as seller fails to deliver securities or other instruments to the Clearing House under a Turquoise Derivatives Cleared Exchange Contract by the due time therefor, the Clearing House may issue directions, in accordance with the Procedures, to that Clearing Member and to a Clearing Member as buyer under a corresponding Turquoise Derivatives Cleared Exchange Contract regarding the performance of such Contracts and take such steps, as it may determine, in accordance with the Procedures and any such steps or directions shall be binding on the Clearing Members.~~

~~The Clearing House shall be entitled to demand Collateral in respect of a Member's margin obligations in such amounts and in such form as it may require in accordance with the Procedures from a Clearing Member where it has failed to deliver securities or other instruments or pay the Price under a Turquoise Derivatives Cleared Exchange Contract by the due time therefor.~~

~~A Clearing Member who has failed to deliver securities or other instruments to the Clearing House under a Turquoise Derivatives Cleared Exchange Contract or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under paragraph (a) of this Regulation 78.~~

~~Without prejudice to the Default Rules, if a Clearing Member acts in such a manner (which could, without limitation, include persistent failure to deliver securities or other instruments to the Clearing House under Turquoise Derivatives Cleared Exchange Contracts in respect of which it is the seller (other than in circumstances where Regulations 26 and/or 27 apply)) and the Clearing House in its reasonable opinion and after consultation with TGH determines that the reputation of the Clearing House Turquoise Derivatives Services is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the Clearing Member's ability to have Turquoise Derivatives Cleared Exchange Contracts registered in its name and to require it to liquidate or transfer under Regulation 11 open Turquoise Derivatives Cleared Exchange Contracts registered in its name.~~

**Regulation 79** **REGULATION 80** **SUSPENSION OF THE OPEN OFFER FOR TURQUOISE DERIVATIVES**

The Clearing House may, from time to time, in its absolute discretion suspend the ~~Clearing House~~ Turquoise Derivatives Services for such period of time as it may determine in the circumstances referred to in this ~~Regulation 79~~ [Regulation 80](#) or with the agreement of TGHL.

The ~~Clearing House~~ Turquoise Derivatives Services may be suspended:

- [\(a\)](#) as a result of a malfunction, breakdown or other failure in the electronic communication link between TGHL London and the Clearing House (including any linkage via a third party system) or in the Clearing House's computer systems or any other relevant communication link or computer system such that the Clearing House is not able to receive or otherwise access all such particulars as it may require in order to exercise adequate risk management controls over contracts registered under the ~~Clearing House~~ Turquoise Derivatives Services;
- [\(b\)](#) as a result of a significant banking crisis or an extended disruption to any relevant bank payment system or any other event the occurrence of which in the Clearing House's reasonable opinion may jeopardise the solvency or the integrity of the Clearing House, and in any such case in the Clearing House's reasonable opinion there is a need to suspend the ~~Clearing House~~ Turquoise Derivatives Services in order to protect the solvency or the integrity of the Clearing House;
- [\(c\)](#) where a market emergency affecting TGHL London and/or the Clearing House has a material effect on the provision of the ~~Clearing House~~ Turquoise Derivatives Services and/or the TGHL market;
- [\(d\)](#) in order to comply with any requirements to which it is subject under applicable laws or regulations or with any order or direction given by, or a requirement of, a relevant regulation or pursuant to the rules of any such regulator.

~~Withdrawal of Clearing House Turquoise Derivatives Services by the Clearing House~~

~~If, at any time, the Clearing House decides in its absolute discretion to withdraw all or any part of the Clearing House Turquoise Derivatives Services it shall give not less than six months' notice to all affected Clearing Members of the date on which the Clearing House Turquoise Derivatives Services will be withdrawn (the "Service Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation 80 to, or the non-receipt of notice under this Regulation 80 by, one or more affected Members shall not invalidate the Service Withdrawal Date.~~

~~Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) shall specify the nature of the service which the Clearing House will provide until the Service Withdrawal Date.~~

~~If, at the Service Withdrawal Date, a Clearing Member has open Turquoise Derivatives Cleared Exchange Contracts registered in its name, the Clearing House shall, at its sole discretion, be entitled to liquidate any such Turquoise Derivatives Cleared Exchange Contracts and effect cash settlement in respect thereto with that Clearing Member.~~

~~The Clearing House shall have the right to postpone the Service Withdrawal Date until such time as the Clearing House determines in its absolute discretion.~~

**Regulation 15** **REGULATION 81** CANCELLATION, VARIATION ETC OF TURQUOISE DERIVATIVES CLEARED EXCHANGE CONTRACTS

- (a) The Clearing House shall, in accordance with procedures agreed with TGHL, cancel, or vary the terms of, a Turquoise Derivatives Cleared Exchange Contract and the corresponding Turquoise Derivatives Cleared Exchange Contract pursuant to a determination to this effect made by TGHL under the Exchange Rules that such Contracts have been entered into in error or certain terms have been agreed in error or in such other circumstances as may be set out in the Exchange Rules.
- (b) If following receipt of a statement from TGHL recording the details of Turquoise Derivatives Cleared Exchange Contracts which have been registered on a business day in the name of a Clearing Member under the Regulations, the Clearing Member considers that there has been an error or omission in such statement, it shall submit a Protest to TGHL in accordance with, and by the time required, by the Exchange Rules. On receipt of such Protest, TGHL will consult with the Clearing House with a view to determining whether the Protest is valid and, if valid, what step or steps (if any) should be taken in respect of such Clearing Member or any other affected Clearing Member, which may include registering, re-registering, cancelling or varying a Turquoise Derivatives Cleared Exchange Contract. The Clearing House shall take such steps as TGHL and the Clearing House determine to be appropriate and any other step or steps as may be required by the Procedures, which may include requiring Collateral to be transferred to the Clearing House as required by the Clearing House. If the Clearing House does not take any steps under this paragraph ~~(b)~~(b) in respect of a Turquoise Derivatives Cleared Exchange Contract, the Clearing Member shall remain bound by the terms of each such Turquoise Derivatives Cleared Exchange Contract registered in his name with the Clearing House. This paragraph shall not apply in the circumstances contemplated by paragraph ~~(a)~~(a) of this Regulation.
- (c) Turquoise Derivatives Cleared Exchange Contracts may be registered in the Turquoise Derivatives Account in connection with any step taken by the Clearing House under paragraph ~~(b)~~(b) of this ~~Regulation 81~~Regulation 81 or in such other circumstances as may be agreed between TGHL and the Clearing House from time to time.
- (d) A Clearing Member whose Turquoise Derivatives Cleared Exchange Contracts have been varied under this ~~Regulation 81~~Regulation 81 shall be bound by the terms of such Contracts as varied and any relevant provisions of the Procedures.
- (e) Upon a Turquoise Derivatives Cleared Exchange Contract being cancelled under this ~~Regulation 80~~Regulation 81, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House for registration. Any payment (other than fees) made to the Clearing House under, or in respect of, a Turquoise Derivatives Cleared Exchange Contract which has been cancelled under this ~~Regulation 81~~Regulation 81 shall be repayable to the person who made the payment, subject to LCH's rights under ~~Regulation 12~~Regulation 20 and the Default Rules.
- (f) Without prejudice to ~~Regulation 39~~Regulation 52 and its rights and obligations set out in this ~~Regulation 81~~Regulation 81, the Clearing House shall have no liability whatsoever to any person in respect of any step taken under paragraph ~~(a)~~(a) or ~~(b)~~(b) of this ~~Regulation 80~~Regulation 81.



**Regulation 16** REGULATION 82 REJECTION OF ORDERBOOK MATCHES

- (a) Subject to paragraphs ~~(b)~~(b) and ~~(e)~~(c) of this ~~Regulation 81~~Regulation 82 and to ~~Regulation 75 (e)~~Regulation 77(m), any Turquoise Derivatives Orderbook Match, which does not meet the requirements set out in ~~Regulation 75(e)~~Regulation 77(c), or in respect of which the Clearing House declines to register Turquoise Derivatives Cleared Exchange Contracts under ~~Regulation 9(e)~~Regulation 16(c), will be rejected by the Clearing House and no Turquoise Derivatives Cleared Exchange Contracts shall be deemed to have arisen. Without prejudice to the generality of ~~Regulation 39~~Regulation 52, any other provision of these Regulations, the Procedures, or the Exchange Rules concerning the liability of the Clearing House, the Clearing House shall have no liability whatsoever to any Clearing Member or any other person ~~(including but not limited to any Turquoise Derivatives NCM or Linked Member)~~<sup>15</sup> with regard to the rejection by it of any such Turquoise Derivatives Orderbook Match or any Reported Trade.
- (b) The Clearing House may, in its absolute discretion, agree to register a Turquoise Derivatives Cleared Exchange Contract in the account of a Clearing Member in respect of a Turquoise Derivatives Orderbook Match in accordance with any provisions in this regard set out in the Procedures, notwithstanding that the Clearing Member does not meet the requirements set out in ~~Regulation 75(e)~~Regulation 77(c) in respect of the Turquoise Derivatives Orderbook Match or the Clearing House receives invalid or incomplete message data in respect of a Turquoise Derivatives Orderbook Match.
- (c) The Clearing House shall only exercise its rights to decline to register Turquoise Derivatives Cleared Exchange Contracts under ~~Regulation 9(e)~~Regulation 16(c) if:
- (i) the Clearing House is required by an order or direction issued by, or a requirement of, a Regulatory Body pursuant to its rules or otherwise, or in order to comply with any applicable laws, regulations or court order, to cancel, decline to enter into or reject a Turquoise Derivatives Cleared Exchange Contract or to take other similar measures in relation to a Turquoise Derivatives Cleared Exchange Contract; or
  - (ii) a Turquoise Derivatives Orderbook Match exceeds a size specified in the Exchange Rules or the Procedures from time to time.
- (d) If any of the circumstances referred to in paragraph ~~(e)~~(c)~~(i)~~ apply in respect of an affected Clearing Member, the Clearing House shall take such action ~~is~~as it may determine in order that the Clearing House does not have (or to minimise the effect of) an unbalanced position. ~~Any such action may, without limit, include entering into contracts with a Clearing Member or a third party in order to balance its position, or to vary or cancel Turquoise Derivatives Cleared Exchange Contracts entered into with a Co-operating Clearing House, as appropriate and the affected Clearing Member shall indemnify the Clearing House against all losses, costs, taxes or expenses suffered or incurred by the Clearing House in taking such action.~~<sup>16</sup>

<sup>15</sup> To delete if Oslo Interoperability Agreement is not approved.

<sup>16</sup> To amend if Oslo Clearing Interoperability Agreement is not EMIR compliant.

**Regulation 17** **REGULATION 83** | **CROSS-BORDER TRANSFERS TO THE CLEARING HOUSE OF CONTRACTS EXECUTED BY A MEMBER OF A CO-OPERATING EXCHANGE - AUTOMATIC TRANSFERS**

- (a) Where, pursuant to arrangements set forth in the Exchange Rules, a Clearing Member wishes automatically to accept transfers of contracts executed by a Linked Member on or under the Rules of a Co-operating Exchange for registration with the Clearing House, the Clearing Member shall enter into such agreements as may be required for this purpose by the Exchange Rules and shall notify to the Clearing House, in accordance with the Procedures, the account of the Linked Member (the "Linked Account") from which such contracts shall be transferred and the Clearing Member's account with the Clearing House in which such contracts shall be registered. The Clearing House shall register such transferred contracts as Turquoise Derivatives Cleared Exchange Contracts in such account of the Clearing Member in accordance with this ~~Regulation 83~~ Regulation 83 and the Exchange Rules.
- (b) Cross-Border Transfers shall be effected at the time or times and in accordance with procedures agreed between the Clearing House and the relevant Co-operating Clearing House from time to time and otherwise subject to these Regulations and the Exchange Rules.
- (c) Cross-Border Transfers shall not be made in the circumstances set out in ~~Regulation 84 or 85~~ 84 or 85 or if TGHL notifies the Clearing House that the Clearing Member is no longer party to the applicable agreements required by Exchange Rules with respect to Cross-Border Transfers to be made under this ~~Regulation 83~~ Regulation 83.
- (d) The Clearing House shall be entitled to rely on the details notified to it by TGHL of the contracts to be transferred from a Linked Account to the account of a Clearing Member and shall be under no obligation to verify such details with TGHL or the Clearing Member.
- (e) Cross-Border Transfers of Contracts to the account of a Clearing Member with the Clearing House shall be automatically made in accordance with this ~~Regulation 82~~ Regulation 83 without further instructions from the Clearing Member.
- (f) The Clearing House shall not be liable to a Clearing Member, a Linked Member or any person whatsoever in accepting a transfer of contracts for registration in a Clearing Member's account in accordance with this ~~Regulation 83~~ Regulation 83 or if the Clearing House does not accept any such transfer pursuant to Regulation ~~84~~ 84 or ~~85~~ 85.
- (g) If the Clearing House would have an unbalanced position on registering Turquoise Derivatives Cleared Exchange Contracts in an account of a Member in respect of a Cross-Border Transfer made in accordance with this ~~Regulation 83~~ Regulation 83, the Clearing House shall register an equal number of corresponding Turquoise Derivatives Cleared Exchange Contracts in the name of the relevant Co-operating Clearing House.
- (h) Turquoise Derivatives Cleared Exchange Contracts registered under this ~~Regulation 82~~ Regulation 83 in a Clearing Member's account shall have the same economic terms as the contracts executed by the Linked Member on a Co-operating Exchange, but otherwise shall be subject to the Regulations and the Exchange Rules.

The Clearing House shall have the same rights to decline to register or accept a contract for registration under this ~~Regulation 83~~[Regulation 83](#) as it has under these Regulations in respect of a Turquoise Derivatives Orderbook Match or a Reported Trade or Turquoise Derivatives OTC Trade.<sup>17</sup>

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<sup>17</sup> [To delete if Oslo Interoperability Agreement is not approved.](#)

**Regulation 18** REGULATION 84 **DEFAULT AFFECTING A CROSS-BORDER TRANSFER**

If, prior to effecting a Cross-Border Transfer under these Regulations, a Clearing Member or a Linked Member party to such proposed Cross-Border Transfer is a ~~Default~~ Defaulter or in default under the rules of the relevant Co-operating Exchange the Cross-Border Transfer shall not occur, unless the Clearing House and the relevant Co-operating Clearing House decide otherwise or it is not practicable to prevent any such Cross-Border Transfer.<sup>18</sup>

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<sup>18</sup> To delete if Oslo Interoperability Agreement is not approved.

**~~Regulation 19~~ REGULATION 85 IMPOSSIBILITY OF TRANSFER**

(a) Cross-Border Transfers shall not occur on any day under ~~Regulation 80~~ Regulation 83 if it is impossible, for any technological or other reason, for any such transfer to take place. Any affected Cross-Border Transfer shall take place as soon as it is possible for such transfer to be effected.

(b) Cross Border Transfers shall not occur if it would contravene any applicable law or regulation or requirement of a regulator for any such transfer to take place.<sup>19</sup>

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<sup>19</sup> To delete if Oslo Interoperability Agreement is not approved.

~~Regulation 20~~ REGULATION 86 **OPTIONS**

An Turquoise Derivatives Cleared Exchange Contract, being an option, shall be exercised by a Member in accordance with the applicable Exchange Rules and these Regulations and the Procedures. Where there is any conflict between the terms of the applicable Exchange Rules and these Regulations and Procedures, the terms of the Regulations and Procedures shall prevail. References in ~~Regulation 17~~ Regulation 26 to a notice in writing shall be construed to mean an instruction given, or to be given to TGHL, in accordance with the Exchange Rules, as agent for the Clearing House.

**Regulation ~~21~~ REGULATION 87 RE-REGISTRATION OF CONTRACTS**

- (a) A Clearing Member may arrange for a Turquoise Derivatives Cleared Exchange Contract to be transferred to another Clearing Member [or to a member of a Co-operating Clearing House]<sup>20</sup> in the circumstances prescribed in Turquoise Derivatives Rules 2.14 and 3.4 or as contemplated by this ~~Regulation 87~~ Regulation 87. Any such transfer to an account of another Clearing Member shall be effected by the Clearing House in accordance with ~~Regulation 11~~ Regulation 18.
- (b) Where a Clearing Member submits a Request for Re-Registration to TGHL in accordance with Turquoise Derivatives Rule 3.4, TGHL shall notify the Clearing House, in accordance with the Procedures, that it has received such Request for Re-Registration.
- (c) Transfers of Turquoise Derivatives Cleared Exchange Contracts pursuant to a Request for Re-Registration submitted by a Clearing Member to TGHL and notified to the Clearing House under paragraph ~~(a)~~ (b) shall be effected only if TGHL and the Clearing House have determined to accept such Request for Re-Registration. The Clearing House shall effect such transfer in accordance with ~~Regulation 11~~ Regulation 18 and the Procedures.
- (d) [Where a Clearing Member has submitted a Request for Re-Registration to TGHL requesting that one or more Turquoise Derivatives Cleared Exchange Contracts be transferred to an account maintained by a Linked Member with a Co-operating Clearing House, Co-operating Exchange or its Associated Clearing House, the Clearing Member shall notify the Clearing House, in accordance with the Procedures, that such request has been made to TGHL. No such transfers shall be made, unless such conditions set forth in the Exchange Rules have been satisfied and the Clearing House, TGHL and the relevant Co-operating Clearing House, Co-operating Exchange or Associated Clearing House, as the case may be, have given their approval to the transfer. Any such transfer shall be on such terms as the Clearing House may stipulate.

A Clearing Member may in accordance with the Procedures and with the approval of the Clearing House accept for registration in his name contracts executed by a Linked Member and registered with the relevant Co-operating Clearing House or Associated Clearing House which the Linked Member wishes to transfer to an account of the Clearing Member with the Clearing House.<sup>21</sup>

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<sup>20</sup> To delete if Oslo Interoperability Agreement is not approved.

<sup>21</sup> To delete if Oslo Interoperability Agreement is not approved.

~~**CHAPTER XIX SCHEDULE TO THE TURQUOISE DERIVATIVES [HKMEX  
REGULATIONS]<sup>22</sup>**~~

~~**Part A**~~

~~**Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise  
Derivatives OTC Trades**~~

~~The terms of a registered Turquoise Derivatives Cleared Exchange Contract arising from a Turquoise Derivatives OTC Trade shall include these Contract Terms which shall comprise:~~

- ~~(1) Interpretation; and~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms.~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~Subject to the Regulations and the Procedures, the Clearing House will use these Contract Terms to calculate the amounts due under this Turquoise Derivatives Cleared Exchange Contract to, or from, the Clearing House in accordance with the Procedures.~~

~~For the purposes of this Schedule any reference to a Turquoise Derivatives Cleared Exchange Contract shall be a reference to a Turquoise Derivatives Cleared Exchange Contract arising from a Turquoise Derivatives OTC Trade in accordance with the Regulations.~~

~~**1. Interpretation**~~

- ~~1.1. “ISDA Definitions” means the 2002 ISDA Equity Derivatives Definitions as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), and the same are incorporated by reference herein.~~
- ~~1.2. Words and expressions used in these Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the “ISDA Definitions” shall the same meaning herein as the ISDA Definitions, unless expressly provided otherwise.~~
- ~~1.3. In the event of an inconsistency between the Regulations and the Procedures and the ISDA Definitions, the Regulations and Procedures will prevail.~~
- ~~1.4. References in the ISDA Definitions to an “Option Transaction”, “Forward Transaction”, or “Futures Transaction” shall be deemed to be references to a “Turquoise Derivatives OTC Trade”.~~
- ~~1.5. Except where expressly stated otherwise, all reference to “Articles” means Articles in the ISDA Definitions” as published by ISDA.~~
- ~~1.6. In relation to any amendments to the ISDA Definitions, the Clearing House may from time to time, by notice delivered to Clearing Members, give directions as to whether such~~

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<sup>22</sup> ~~To be deleted upon termination of HKMEX Service (if service is terminated)~~



~~amendment shall apply to EDX Cleared Exchange Contracts with immediate effect or with such deferred effect as the Clearing House shall determine.~~

~~4.7. Any such notice may provide that the amendment to the ISDA Definitions may take effect so as to apply to Turquoise Derivatives Cleared Exchange Contracts registered in a Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines.~~

~~4.8. The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by any Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

## ~~2. Economic Terms~~

~~2.1. The Economic Terms of a Turquoise Derivatives Cleared Exchange Contract shall be derived from the information presented to the Clearing House by TGHL in respect of the terms designated as Economic Terms in this Schedule.~~

~~2.2. It is part of the eligibility criteria for registration as a Turquoise Derivatives Cleared Exchange Contract that the particulars of a Turquoise Derivatives OTC Trade presented to the Clearing House must include matched information in respect all such designated Economic Terms.~~

~~2.3. The Economic Terms comprise:~~

~~(i) Trade Date (see Article 1.17 for definition);~~

~~(ii) Buyer (see Article 1.18 for definition);~~

~~(iii) Seller (see Article 1.19 for definition);~~

~~(iv) Settlement Currency (see Article 1.33 for definition);~~

~~(v) Cash settled (see Article 1.38 for definition) or Physically settled (see Article 1.39 for definition);~~

~~(vi) if Cash settled, Cash Settlement Payment Date (see Article 8.8 for definition)~~

~~(vii) if Physically settled, Settlement Date (see Article 9.4 for definition);~~

~~(viii) Where an Option transaction:~~

~~(a) Commencement Date (see Article 2.1 (a) for definition);~~

~~(b) Number of Options (see Article 2.1 (b) for definition);~~

~~(c) Option Entitlement (see Article 2.1 (c) for definition);~~

~~(d) American Option (see Article 2.2 (a) for definition) or European Option (see Article 2.2 (b) for definition);~~

~~(e) Call (see Article 2.3 (a) for definition) or Put (see Article 2.3 (b) for definition);~~

- ~~(f) — Payment of Premium (see Article 2.4 (a) for definition);~~
- ~~(g) — Premium (see Article 2.4 (b) for definition);~~
- ~~(h) — Premium Payment Date (see Article 2.4 (c) for definition);~~
- ~~(i) — Exercise Period (see Article 3.1 (a) for definition);~~
- ~~(j) — Exercise Date (see Article 3.1 (b) for definition);~~
- ~~(k) — Expiration Date (see Article 3.1 (a) for definition);~~
- ~~(ix) — Where a Forward Transaction:
  - ~~(a) — Forward Price (see Article 4.1 (a) for definition);~~
  - ~~(b) — Expiration Date;~~~~
- ~~(x) — Where a Futures Transaction:
  - ~~(a) — Futures Price;~~
  - ~~(b) — Expiration Date;~~~~
- ~~(xi) — Where Share Option, Share Forward or Share Future Transaction:
  - ~~(a) — Number of Shares (see Article 1.20 for definition);~~
  - ~~(b) — Number of Shares to be Delivered (see Article 9.5 for definition);~~~~

~~PROVIDED, however, that, where in the “Option Transaction”, “Forward Transaction”, or “Future Transaction” a Clearing Member is party as the Seller (“the First Member”) with the other Clearing Member as the party being the buyer (“the Second Member”) the Clearing House, in respect of each Turquoise Derivatives Cleared Exchange Contract to which it is party shall be (i) the Buyer to the First Member and (ii) the Seller to the Second Member.~~

### ~~3. — Standard Terms~~

~~The following terms are designated as Standard Terms of a registered Turquoise Derivatives Cleared Exchange Contract:~~

#### ~~3.1. — Other Relevant Definitions~~

~~“Exchange” is defined in Article 1.25.~~

~~“Settlement price” is defined in Article 7.3.~~

#### ~~3.2. — Calculation Agent~~

~~The Calculation Agent is the Clearing House.~~

#### ~~3.3. — Withholding Tax Provisions~~

~~All payments due under a Turquoise Derivatives Cleared Exchange Contract shall be made by the Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~The Clearing House shall make any payments due to a Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.~~

#### ~~3.4. Payment of Stamp Tax~~

~~Each Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any Turquoise Derivatives Cleared Exchange Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located ("Stamp Tax Jurisdiction") or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any Turquoise Derivatives Cleared Exchange Contract registered by the Clearing House and to which that Clearing Member is a party.~~

#### ~~3.5. Payments under a Turquoise Derivatives Cleared Exchange Contract~~

~~Payments under, and in respect of, a Turquoise Derivatives Cleared Exchange Contract shall be calculated by the Clearing House and shall be made by, or to, the Clearing Member in accordance with the provisions of the Procedures.~~

#### ~~3.6. Regulations~~

~~This Turquoise Derivatives Cleared Exchange Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.~~

#### ~~3.7. Governing Law~~

~~This Turquoise Derivatives Cleared Exchange Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The Clearing Member party to this Turquoise Derivatives Cleared Exchange Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~3.8. Third Party Rights~~

~~A person who is not a party to this Turquoise Derivatives Cleared Exchange Contract shall have no rights under or in respect of this Contract. Rights of third parties to enforce any terms of this Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

**SCHEDULE TO THE ~~Turquoise Derivatives~~ REGULATIONS****Part B****~~Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC Trade~~****~~1. Turquoise Derivatives OTC Trades~~**

~~1.1 Without prejudice to the Regulations and the Procedures, the Clearing House may decline to register to register a Turquoise Derivatives OTC Trade unless at the time that the required particulars of that Turquoise Derivatives OTC Trade are presented:~~

- ~~(a) the Turquoise Derivatives OTC Trade meets the eligibility criteria, set out in section 2 below for an eligible Turquoise Derivatives OTC Trade, and all other requirements of the Clearing House from time to time including the requirements set out in these Regulations and Procedures; and~~
- ~~(b) details of the Turquoise Derivatives OTC Trade are submitted for registration in accordance with the Regulations, the Procedures and all other requirements from time to time of the Clearing House; and~~
- ~~(c) the parties to the Turquoise Derivatives OTC Trade are Clearing Members approved by the Clearing House as persons eligible to submit such trades for registration by the Clearing House or Turquoise Derivatives Non-Clearing Members, so approved,~~

~~and the requirements of (a) to (c) inclusive and Section 2 continue to be satisfied at Registration Time.~~

**~~2. Product Eligibility Criteria for a Turquoise Derivatives OTC Trade~~**

~~“Eurozone” means either a share listed on a French, German, Dutch, Finnish, Spanish or Italian market~~

**HKMEX REGULATIONS****Regulation 22 REGULATION 88 INTRODUCTION AND APPLICATION****General**

- (a) The Clearing House shall provide the HKMEX Service subject to and in accordance with the terms of ~~these HKMEX Regulations~~ this Regulation and the Procedures.
- (b) Clearing Members which are HKMEX Service Clearing Members, and applicants to become HKMEX Service Clearing Members, shall be bound by ~~these HKMEX~~ this Regulation and the other Regulations. ~~Other than as specified in the Regulations~~ this Regulation to apply to the HKMEX Service. Other than as specified in this Regulation, the remainder of the Regulations shall not apply to the HKMEX Service.
- (c) Regulations ~~1 and 22~~ and 3 of the Regulations apply to the HKMEX Service.

**HKMEX Service Clearing Membership**

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

**Accounts**

- (h) ~~Regulation 5~~ Regulation 10 applies to the opening and operation of accounts with respect to a HKMEX Service Clearing Member. Such accounts shall be designated in accordance with ~~Regulation 8~~ Regulation 15.

**Client Clearing**

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

**Formation, registration and transfers of HKMEX Contracts**

- ~~(h)~~(j) HKMEX's Rules govern the formation of a HKMEX Transaction.
- ~~(i)~~(k) ~~Regulations 89~~ Regulation 13, Regulation 14 and ~~90~~ Regulation 16 govern the registration and formation of a HKMEX Contract.

~~A HKMEX Service Clearing Member may clear HKMEX Transactions for a HKMEX Non-Clearing Member in accordance with the Procedures and HKMEX's Rules.~~

- ~~(k)~~(l) ~~Regulation 11~~ Regulation 18 (and, insofar as relevant, ~~Regulation 3(b)~~ Regulation 12(b)) apply to a HKMEX Contract which is an open contract.

**Margin and Collateral**

~~(h)(m)~~ ~~Regulation 12~~ [Regulation 20](#) applies to a HKMEx Service Clearing Member.

**Daily settlement**

~~(m)(n)~~ ~~Regulations 13, 14, 91 and 16~~ [Regulation 21, Regulation 22, Regulation 23 and Regulation 24](#) apply to the daily settlement to market of open HKMEx Contracts.

**Options**

~~(n)(o)~~ ~~Regulations 17 and 18~~ [Regulation 26 and Regulation 27](#) apply to HKMEx Contracts which are options.

**Physical settlement**

~~(o)(p)~~ ~~Regulations 19~~ [Regulation 28 to 2232](#) (inclusive) and ~~25~~ [Regulation 35\(a\)](#) apply to HKMEx Contracts.

**Arbitration**

~~(p)(q)~~ ~~Regulations 23 and 24~~ [Regulation 33 and Regulation 34](#) apply to HKMEx 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*

~~(q)(r)~~ ~~Regulations 25~~ [Regulation 36 to 39B](#) [Regulation 52](#) (inclusive) apply to HKMEx Service Clearing Members and HKMEx Contracts.

**~~Default Rules and Default Fund Rules~~**

~~(r)(s)~~ The Default ~~Rules and the Default Fund~~ Rules apply to HKMEx Service Clearing Members and HKMEx Contracts.

**Clearing House Settlement Finality Regulations**

~~(s)(t)~~ The Clearing House Settlement Finality Regulations apply in relation to HKMEx Service Clearing Members and HKMEx Contracts.

~~Presentation, allocation~~ Summary table ~~of HKMEx Transactions and registration of HKMEx Contracts~~

~~In order~~ Regulations which apply ~~to utilise the HKMEx Service~~ ~~a HKMEx Service Clearing Member must cause particulars of a HKMEx Transaction to which it is party to be submitted for registration as a HKMEx Contract, through such means as shall be prescribed by the Procedures.~~

(u) The Regulations listed in this Regulation 88(t) apply to the HKMEx Service as described under Regulation 88(a) to (t).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 9	<u><a href="#">Service Withdrawal</a></u>
Regulation 7	<u><a href="#">Non-Member Market Participant Status</a></u>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	<b>Error! Not a valid result for table.</b>
0	Allocation of Original Exchange Contracts
0	Designation
0	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Premium under Option Contracts
0	Official Quotations and Reference Price
0	Daily Settlement or Marking to Market



<b>Regulation</b>	<b>Title</b>
0	Settlement and Revaluation: Clearing Processing System
Regulation 26	Exercise of Options
0	Delivery Contract Arising upon the Exercise of an Option
0	Obligation to Make and Accept Tender under Cleared Exchange Contracts
0	Delivery Contracts
0	Open Contracts Subject to Tender
0	Arrangements for Delivery and Payment of Price
0	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures

<i>Regulation</i>	<i>Title</i>
0	Interpretation of these Regulations
0	Waiver
0	Validity of Regulations and Action
0	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
0	HKMEX Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations]

~~A HKMEX Transaction submitted for registration must meet the eligibility criteria prescribed in the Procedures at the time the particulars of such HKMEX Transaction are presented to the Clearing House and must continue to meet such criteria at the time prescribed in the Procedures ("Registration Time") in order to be registered as HKMEX Contracts. A HKMEX Service Clearing Member may not revoke, cancel or transfer a HKMEX Transaction unless permitted by HKMEX's Rules, the Regulations or the Procedures or with the consent of the Clearing House.~~

~~A HKMEX Service Clearing Member shall not allow the submission for registration of a transaction which is not a HKMEX Transaction.~~

~~The Clearing House may require HKMEX Transactions presented for registration in the name of a HKMEX Service Clearing Member to be confirmed by or on behalf of such Member, in which case it shall specify the manner, form and time of such confirmation in the Procedures.~~

~~A HKMEX Transaction may, subject to the Procedures or HKMEX's Rules (as may be the case), be allocated (or reallocated) by or on behalf of a HKMEX Service Clearing Member to another HKMEX Service Clearing Member in such manner and form and by such time as may be prescribed by the Procedures.~~

~~Where a HKMEX Transaction is allocated (or reallocated) to a HKMEX Service Clearing Member, then unless the Clearing House receives confirmation of the acceptance of the allocation of such contract from the HKMEX Service Clearing Member to whom such contract is being allocated (or reallocated) within the relevant time prescribed by the Procedures, the Clearing House shall register such HKMEX Transaction in the name of the HKMEX Service Clearing Member who sought to allocate the HKMEX Transaction.~~

~~Notwithstanding paragraph (f) of this Regulation, a HKMEX Service Clearing Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any HKMEX Transaction allocated to him.~~

~~The Clearing House may decline to register a HKMEX Transaction in the name of a HKMEX Service Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any HKMEX Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of Collateral by both HKMEX Service Clearing Members in whose name any such HKMEX Transaction is to be registered.~~

~~Without prejudice to the Clearing House's rights under paragraph (k) of this Regulation, a HKMEX Service Clearing Member shall be bound by a HKMEX Contract registered in its name pursuant to the presentation of particulars of a HKMEX Transaction.~~

~~The Clearing House shall be deemed to register a HKMEX Contract in relation to a HKMEX Transaction in the name of a HKMEX Service Clearing Member at the Registration Time for that type of HKMEX Contract in accordance with Regulation 90.~~

~~For the avoidance of doubt, any transaction of which details have been submitted by HKMEX Participants for registration as HKMEX Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation or membership of the HKMEX Trading System through or on which the transaction was executed or by which it was registered), and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~

~~If at any time after registration of a HKMEX Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not a HKMEX Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as a HKMEX Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such HKMEX Contract. Upon the purported HKMEX Contract being set aside under this Regulation 89(1), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect of, a HKMEX Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 89(1), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a HKMEX Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as a HKMEX Contract.~~

## HKME~~x~~ Contracts

~~A HKME~~x~~ Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two HKME~~x~~ Contracts, one between the First HKME~~x~~ Service Clearing Member as the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second HKME~~x~~ Service Clearing Member as the buyer (as the case may be) as principals to such contract. For the purposes of this Regulation:~~

~~"First HKME~~x~~ Service Clearing Member" is a HKME~~x~~ Service Clearing Member who was, before registration of the HKME~~x~~ Contract, party to the corresponding HKME~~x~~ Transaction as the seller;~~

~~"Second HKME~~x~~ Service Clearing Member" is a HKME~~x~~ Service Clearing Member who was, before registration of the HKME~~x~~ Contract, party to the corresponding HKME~~x~~ Transaction as the buyer.~~

~~With effect from registration of a HKME~~x~~ Transaction as two HKME~~x~~ Contracts under paragraph (a) of this Regulation:~~

~~the parties to the corresponding HKME~~x~~ Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;~~

~~each HKME~~x~~ Contract registered under paragraph (a) of this Regulation shall be governed by the relevant HKME~~x~~ Contract Terms applicable to that HKME~~x~~ Contract;~~

~~subject always to sub-paragraph (ii) above, the First HKME~~x~~ Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the HKME~~x~~ Contract to which it is a party as the seller had and owed in respect of its counterparty under the corresponding HKME~~x~~ Transaction; and~~

~~subject always to sub-paragraph (ii) above, the Second HKME~~x~~ Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the HKME~~x~~ Contract to which it is party as the buyer had and owed in respect of its counterparty under the corresponding HKME~~x~~ Transaction.~~

~~In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding HKME~~x~~ Transaction (it being assumed, for this purpose, that such HKME~~x~~ Transaction was a legal, valid, binding and enforceable obligation of the parties thereto); notwithstanding the change in the person entitled to them or obliged to perform them.~~

~~If a HKME~~x~~ Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any HKME~~x~~ Contract unless otherwise determined by the Clearing House.~~

~~In the case of a HKMEX 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 Regulation 90 shall take effect.~~

### Daily Settlement or Marking to Market

~~Where the Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open HKMEX Contracts in accordance with the Procedures. Daily settlement to market shall not apply to such open HKMEX Contracts which are for the account of a HKMEX Service Clearing Member's client accounts.~~

~~The Clearing House shall, in accordance with the Procedures, in respect of each open HKMEX Contract in a HKMEX Service Clearing Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or premium) including the strike price where applicable as the open HKMEX Contract, save that where a HKMEX Service Clearing Member is the seller under the terms of the open HKMEX Contract that HKMEX Service Clearing Member shall be the buyer under the terms of the settlement contract and vice versa, such settlement contract to be effected in accordance with the Procedures at the relevant HKMEX Reference Price for that day. The Clearing House shall thereupon settle each open HKMEX Contract against the respective settlement contract in accordance with the Procedures.~~

~~The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter make up the HKMEX Service Clearing Member's account and upon the Clearing House so doing, that HKMEX Service Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:~~

~~any profit arising to a HKMEX Service Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these Regulations, such profit shall be paid to that HKMEX Service Clearing Member on that HKMEX Service Clearing Member's request; and~~

~~any loss arising to a HKMEX Service Clearing Member shall be debited to the applicable account of that HKMEX Service Clearing Member and (subject to these Regulations) that HKMEX Service Clearing Member shall pay the amount of such loss to the Clearing House forthwith on demand.~~

~~The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures:~~

~~in respect of those open HKMEX Contracts in a HKMEX Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant HKMEX Reference Price referred to in the Procedures, HKMEX Contracts in that HKMEX Service Clearing Member's name as open HKMEX Contracts on the same terms (except as to price or premium) including the strike price where applicable, as the settled open HKMEX Contracts, save that no HKMEX Contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that HKMEX Service Clearing Member's name;~~

~~in respect of those open HKMEX Contracts in a HKMEX Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are~~

~~subject to daily marking to market as prescribed by the Procedures, register at the relevant HKMEX Reference Price referred to in the Procedures, HKMEX Contracts in the HKMEX Service Clearing Member's name as open HKMEX Contracts on the same terms (except as to price or premium) including the strike price, where applicable, as the settled open HKMEX Contracts.~~

~~A HKMEX Service Clearing Member may, in respect of all open HKMEX Contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such HKMEX Contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) make up the HKMEX Service Clearing Member's account.~~

~~In respect of those open HKMEX Contracts of which settlement might have been requested by a HKMEX Service Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those HKMEX Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the HKMEX Service Clearing Member's accounts accordingly.~~

**CHAPTER XX – NODAL REGULATIONS****Regulation 92 ~~REGULATION 89~~ INTRODUCTION AND APPLICATION*****General***

- (a) The Clearing House shall provide the Nodal Service subject to and in accordance with the terms of ~~these Nodal Regulations~~ this Regulation and the Procedures.
- (b) Clearing Members which are Nodal Service Clearing Members, and applicants to become Nodal Service Clearing Members, shall be bound by ~~these Nodal Regulations~~ this Regulation and the other Regulations specified in this Regulation to apply to the Nodal Service. Other than as specified in ~~the Regulations~~ this Regulation, the remainder of the Regulations shall not apply to the Nodal Service.
- (c) Regulations ~~1 and 2~~ 2 and 3 of the Regulations apply to the Nodal Service.

***Nodal Service Clearing Membership***

- (d) A Clearing Member may apply to become a Nodal Service Clearing Member in accordance with the Procedures.
- (e) ~~Regulations 4(a) to 4(e) (inclusive) apply~~ Regulation 4 applies to Nodal Service Clearing Membership and applications therefor ~~as it applies to clearing membership~~.

***Nodal's Rules***

- (f) Regulation 5 applies to a Nodal Service Clearing Member.
- ~~(g)~~ (g) In the event of any inconsistency between Nodal's Rules and the Nodal Regulations, the Nodal Regulations shall prevail.

***Accounts***

- (h) ~~Regulation 5~~ Regulation 10 applies to the opening and operation of accounts with respect to a Nodal Service Clearing Member. Such accounts shall be designated in accordance with ~~Regulation 8~~ Regulation 15.

**Client Clearing**

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

***Formation, Registration and Transfers of Nodal Contracts***

- ~~(h)~~ (j) Nodal's Rules govern the formation of a Nodal Transaction.
- ~~(i)~~ (k) ~~Regulations 93~~ Regulation 13 (except Regulation 13(d)) and ~~94~~ Regulation 16 govern the registration and formation of a Nodal Contract.

~~A Nodal Service Clearing Member may clear Nodal Transactions for a Nodal Non-Clearing Participant in accordance with the Procedures and Nodal's Rules.~~



~~(k)(l)~~ Regulation 18 (and, insofar as relevant, ~~Regulation 3(b)~~ Regulation 12(b)) apply to a Nodal Contract which is an open contract.

### *Margin and Collateral*

~~(l)(m)~~ Regulation 20 applies to a Nodal Service Clearing Member.

### *Daily Settlement*

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

### *Options*

~~(n)(o)~~ Regulation 26 and Regulation 27 apply to Nodal Contracts which are options.

### *Physical Settlement*

~~(o)(p)~~ Regulation 28 to 232 (inclusive) and ~~25~~ Regulation 36 apply to Nodal Contracts.

### *Arbitration*

~~(p)(q)~~ Regulation 33 and Regulation 34 apply to Nodal 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*

~~(q)(r)~~ Regulation 36 to 39B Regulation 52 (inclusive) apply to Nodal Service Clearing Members and Nodal Contracts.

### *Default Rules and Default Fund Rules*

~~(r)(s)~~ The Default ~~Rules and the Default Fund~~ Rules apply to Nodal Service Clearing Members and Nodal Contracts.

### *Clearing House Settlement Finality Regulations*

~~(s)(t)~~ The Clearing House Settlement Finality Regulations apply in relation to Nodal Service Clearing Members and Nodal Contracts.

~~Presentation, Allocation~~ Summary table of Nodal Transactions and Registration of Nodal Contracts

~~In order to utilise the Nodal Service a Nodal Service Clearing Member must cause particulars of a Nodal Transaction to which it is party to be submitted for registration as a Nodal Contract, through such means as shall be prescribed by the Procedures.~~

~~A Nodal Transaction submitted for registration must meet the eligibility criteria prescribed in the Procedures at the time the particulars of such Nodal Transaction are presented to the Clearing House and must continue to meet such criteria at the time prescribed in the Procedures ("**Registration Time**") in order to be registered as Nodal Contracts. A Nodal Service Clearing Member may not revoke, cancel or transfer a Nodal Transaction unless permitted by Nodal's Rules, the **Regulations** or the Procedures or with the consent of the Clearing House and Nodal.~~

~~A Nodal Service Clearing Member shall not allow the submission for registration of a transaction which is not a Nodal Transaction.~~

~~The Clearing House may require Nodal Transactions presented for registration in the name of a Nodal Service Clearing Member to be confirmed by or on behalf of such Member, in which case it shall specify the manner, form and time of such confirmation in the Procedures.~~

~~The Clearing House may decline to register a Nodal Transaction in the name of a Nodal Service Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any Nodal Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of Collateral by both Nodal Service Clearing Members in whose name any such Nodal Transaction is to be registered.~~

~~Without prejudice to the Clearing House's rights under paragraph (h) of this Regulation, a Nodal Service Clearing Member shall be bound by a Nodal Contract registered in its name pursuant to the presentation of particulars of a Nodal Transaction.~~

~~The Clearing House shall be deemed to register a Nodal Contract in relation to a Nodal Transaction in the name of a Nodal Service Clearing Member at the Registration Time for that type of Nodal Contract in accordance with Regulation 94.~~

~~For the avoidance of doubt, any transaction of which details have been submitted for registration as Nodal Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Nodal Trading Facility through or on which the transaction was executed or by which it was registered), but subject in all cases to Nodal's Rules, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~

~~If at any time after registration of a Nodal Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not a Nodal Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as a Nodal Contract, the Clearing House shall, as soon as practicable~~

~~thereafter, set aside each such Nodal Contract. Upon the purported Nodal Contract being set aside under this Regulation 92(1), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect of, a Nodal Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 92(1), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a Nodal Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as a Nodal Contract.~~

## Nodal Contracts

~~A Nodal Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two Nodal Contracts, one between the First Nodal Service Clearing Member as the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second Nodal Service Clearing Member as the buyer (as the case may be) as principals to such contract. For the purposes of this Regulation:~~

~~"First Nodal Service Clearing Member" is a Nodal Service Clearing Member who was, before registration of the Nodal Contract, party to the corresponding Nodal Transaction as the seller;~~

~~"Second Nodal Service Clearing Member" is a Nodal Service Clearing Member (who may also be the same as the First Nodal Service Clearing Member) who was, before registration of the Nodal Contract, party to the corresponding Nodal Transaction as the buyer.~~

~~With effect from registration of a Nodal Transaction as two Nodal Contracts under paragraph (a) of this Regulation:~~

~~the parties to the corresponding Nodal Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;~~

~~each Nodal Contract registered under paragraph (a) of this Regulation shall be governed by the relevant Nodal Contract;~~

~~Terms applicable to that Nodal Contract;~~

~~subject always to sub paragraph (ii) above, the First Nodal Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the Nodal Contract to which it is a party as the seller had and owed in respect of its counterparty under the corresponding Nodal Transaction; and~~

~~subject always to sub paragraph (ii) above, the Second Nodal Service Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the Nodal Contract to which it is party as the buyer had and owed in respect of its counterparty under the corresponding Nodal Transaction.~~

~~In sub paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding Nodal Transaction (it being assumed, for this purpose, that such Nodal Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.~~

~~If a Nodal Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any Nodal Contract unless otherwise determined by the Clearing House.~~

~~In the case of a Nodal 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 Regulation 94 shall take effect.~~

### Daily Settlement or Marking to Market

~~Where the Procedures so provide, the Clearing House may effect the daily settlement to market or daily marking to market of those open Nodal Contracts in accordance with the Procedures. Daily settlement to market shall not which apply to such open Nodal Contracts which are for *the* account of a *Nodal Service* Clearing Member's client accounts.~~

~~The Clearing House shall, in accordance with the Procedures, in respect of each open Nodal Contract in a Nodal Service Clearing Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or premium) including the strike price where applicable as the open Nodal Contract, save that where a Nodal Service Clearing Member is the seller under the terms of the open Nodal Contract that Nodal Service Clearing Member shall be the buyer under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant Nodal Reference Price for that day. The Clearing House shall thereupon settle each open Nodal Contract against the respective settlement contract in accordance with the Procedures.~~

~~The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter make up the Nodal Service Clearing Member's account and upon the Clearing House so doing, that Nodal Service Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:~~

~~any profit arising to a Nodal Service Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these Regulations, such profit shall be paid to that Nodal Service Clearing Member on that Nodal Service Clearing Member's request; and~~

~~any loss arising to a Nodal Service Clearing Member shall be debited to the applicable account of that Nodal Service Clearing Member and (subject to these Regulations) that Nodal Service Clearing Member shall pay the amount of such loss to the Clearing House forthwith on demand.~~

~~The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures:~~

~~in respect of those open Nodal Contracts in a Nodal Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant Nodal Reference Price referred to in the Procedures, Nodal Contracts in that Nodal Service Clearing Member's name as open Nodal Contracts on the same terms (except as to price or premium) including the strike price where applicable, as the settled open Nodal Contracts, save that no Nodal Contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that Nodal Service Clearing Member's name;~~

~~in respect of those open Nodal Contracts in a Nodal Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject~~

~~to daily marking to market as prescribed by the Procedures, register at the relevant Nodal Reference Price referred to in the Procedures, Nodal Contracts in the Nodal Service Clearing Member's name as open Nodal Contracts on the same terms (except as to price or premium) including the strike price, where applicable, as the settled open Nodal Contracts.~~

~~A Nodal Service Clearing Member may, in respect of all open Nodal Contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such Nodal Contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) make up the Nodal Service Clearing Member's account.~~

~~In respect of those open Nodal Contracts of which settlement might have been requested by a Nodal Service Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those Nodal Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the Nodal Service Clearing Member's accounts accordingly.~~

**NYSE LIFFE CLEARING REGULATIONS**

**Introduction and Application**

***General***

~~The Clearing House shall provide certain services in relation to the NYSE Liffe Clearing Service subject to and in accordance with the terms of these NYSE Liffe Clearing Regulations and the Procedures.~~

~~Clearing Members which are NYSE Liffe Clearing Members, and applicants to become NYSE Liffe Clearing Members, shall be bound by these NYSE Liffe Clearing Regulations. Other than as set out in these NYSE Liffe Clearing Regulations, the LIFFE Rules shall apply to NYSE Liffe Clearing Contracts and the NYSE Liffe Clearing Service and the General Regulations shall not apply thereto. As set out in the LIFFE Rules and the relevant NYSE Liffe Clearing Membership Agreement, the Clearing House shall have available to it certain powers of LIFFE under section 13 of the LIFFE Rules in relation to the NYSE Liffe Clearing Service and NYSE Liffe Clearing Contracts.~~



~~NYSE Liffe Clearing Membership~~

~~In order to use the NYSE Liffe Clearing Service, a person must at all times be a clearing member of the market administered by LIFFE and a Clearing Member of the Clearing House, as further set out in the NYSE LIFFE Clearing Membership Agreement.~~

~~Regulations 4(a) and 4(c) apply to NYSE Liffe Clearing Membership and applications for such membership, as they apply to clearing membership.~~

~~**LIFFE's Rules**~~

~~In the event of any inconsistency between the LIFFE Rules and these NYSE Liffe Clearing Regulations, these NYSE Liffe Clearing Regulations shall prevail as between the NYSE Liffe Clearing Member and the Clearing House.~~

~~**Accounts**~~

~~Regulation 5 applies to the opening and operation of accounts with respect to an NYSE Liffe Clearing Member. Such accounts shall be designated in accordance with the LIFFE Rules.~~

~~**Margin and Collateral**~~

~~Regulation 12 and the LIFFE Rules apply to margin and Collateral with respect to an NYSE Liffe Clearing Member.~~

~~**Force Majeure; Disclosure; Procedures; Alteration of Regulations and the Procedures; Interpretation of these Regulations; Waiver; Validity of Regulations and Action; Governing Law and Jurisdiction; Exclusion of Liability**~~

~~Regulations 27, 30, 33, 34, 35, 36, 37, 38, 39, 39A and 39B apply to NYSE Liffe Clearing Members and in respect of the NYSE Liffe Clearing Contracts of such NYSE Liffe Clearing Members in relation to the relationship between such NYSE Liffe Clearing Members and the Clearing House.~~

~~**Default Rules and Default Fund Rules**~~

~~Where an NYSE Liffe Clearing Member has been declared a defaulter and its positions have transferred to the Clearing House in accordance with the LIFFE default rules or where the Clearing House has declared a Special Member of the Clearing House to be a defaulter, the Default Rules of the Clearing House shall apply: (i) to such NYSE Liffe Clearing Member; (ii) to such Special Member of the Clearing House; and (iii) in respect of the NYSE Liffe Clearing Contracts of such NYSE Liffe Clearing Member or such Special Member of the Clearing House.~~

~~The Default Fund Rules of the Clearing House shall apply to NYSE Liffe Clearing Members and in respect of the NYSE Liffe Clearing Contracts of such NYSE Liffe Clearing Members at all times.~~

~~(u) Clearing House Settlement Finality Regulations The Regulations listed in this Regulation 89(u) apply to the Nodal Service as described under Regulation 89(a) to (t).~~

<i>Regulation</i>	<i>Title</i>
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<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 7	<a href="#">Non-Member Market Participant Status</a>
Regulation 9	<a href="#">Service Withdrawal</a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0 (except Regulation 13(d))	<b>Error! Not a valid result for table.</b>
0	Allocation of Original Exchange Contracts
0	Designation
0	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Premium under Option Contracts
0	Official Quotations and Reference Price
0	Daily Settlement or Marking to Market
0	Settlement and Revaluation: Clearing Processing System
Regulation 26	Exercise of Options
0	Delivery Contract Arising upon the Exercise of an Option
0	Obligation to Make and Accept Tender under Cleared Exchange Contracts

<b>Regulation</b>	<b>Title</b>
0	Delivery Contracts
0	Open Contracts Subject to Tender
0	Arrangements for Delivery and Payment of Price
0	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
0	Interpretation of these Regulations
0	Waiver
0	Validity of Regulations and Action
0	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability

<i>Regulation</i>	<i>Title</i>
Regulation 89	Nodal Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

The

~~Clearing House Settlement Finality Regulations apply in relation to NYSE Liffe Clearing Members and to instructions relating to NYSE Liffe Clearing Contracts to the extent that such instructions constitute "transfer orders" as defined in the terms of the UK Financial Markets and Insolvency (Settlement Finality) Regulations 1999. Settlement finality protection for NYSE Liffe Clearing Members and NYSE Liffe Clearing Contracts under the Clearing House Settlement Finality Regulations applies subject to the terms of the SF Regulations including, inter alia, Regulation 20 of the SF Regulations which in certain circumstances would prevent settlement finality protection from applying to transfer orders issued by a NYSE Liffe Clearing Member after certain specified events relating to that NYSE Liffe Clearing Member's insolvency.~~

### Default of a NYSE Liffe Clearing Member

~~In the event that either the Clearing House or LIFFE declares an NYSE Liffe Clearing Member in default: (i) such NYSE Liffe Clearing Member will continue to be bound by the LIFFE Rules in respect of any open contracts; and (ii) the following provisions shall also apply to such NYSE Liffe Clearing Member:~~

~~following the transfer by novation of such NYSE Liffe Clearing Member's open contracts to the Clearing House, (which such contracts shall be deemed, by virtue of this rule, to have been confirmed by LIFFE on behalf of the NYSE Liffe Clearing Member and registered by the Clearing House as exchange contracts) Regulations 1 to 39 of the Clearing House shall apply to all contracts in such NYSE Liffe Clearing Member's name novated to the Clearing House as from the moment of such novation and the Clearing House shall, without limitation, have the relevant powers of LIFFE available to it in relation to such novated contracts; and~~

~~In addition the Clearing House may take any or all of the steps to discharge the rights and liabilities of the NYSE Liffe Clearing Member in respect of such NYSE Liffe Clearing Member's LIFFE business (and only such business unless the Clearing House has declared the NYSE Liffe Clearing Member to be a defaulter) which the Clearing House would be able to take to discharge the rights and liabilities of a Clearing Member under Default Rule 6 of the Default Rules.~~

~~If LIFFE has declared an NYSE Liffe Clearing Member to be in default, the Clearing House will use all reasonable endeavours to assist LIFFE in the calculation of the net sum(s), if any, resulting from action taken by the Clearing House pursuant to paragraph a(ii) above, which net sum(s) LIFFE may be under a regulatory requirement to certify.~~

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**CHAPTER XXI FOREXCLEAR REGULATIONS****Regulation 103 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 ~~10390~~(d) and (e). Other than as expressly specified in this Regulation ~~10390~~, 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 ~~10390~~(a) to ~~(p)~~ is provided at Regulation ~~10390~~(q).
- (c) Regulations ~~12~~ and ~~23~~ 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(a) to 4(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 5~~ 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 8~~ Regulation 15.

**Client Clearing**

- ~~(f)~~ (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***

~~Regulations 9(b), 9(e) and 10 apply to the registration of a ForexClear Contract.~~

Regulation ~~10416~~ and Regulation ~~105~~(b) (a) govern the registration and formation of a ForexClear Contract.

- (i) ~~Regulation 3(b) of the Regulations applies to the~~, (c), (e), (f), (g), (h), (j), (k) and (l), Regulation 17 and Regulation 91 govern the registration and formation of a ForexClear Contract.
- ~~(j)~~ (j) Regulation 90 to Regulation 93 apply to the ForexClear Service.
- ~~(k)~~ (k) Regulation 11 Regulation 18 (and, insofar as relevant, ~~Regulation 3(b)~~ Regulation 12(b)) apply to a ForexClear Contract that is an open contract.

**Margin and Collateral**

~~(k)~~(l) ~~Regulation 12~~[Regulation 20](#) applies to a ForexClear Clearing Member.

**Reference prices and Revaluation**

~~(j)~~(m) ~~Regulations 14~~[Regulation 22](#) and Regulation ~~108~~[93](#) apply to open ForexClear Contracts.

**Other Applicable Regulations**

~~(n)~~(n) Regulations ~~16 and 26 to 39B~~[37 to 46](#) inclusive apply to ForexClear Clearing Members and ForexClear Contracts.

**Default Rules ~~and Default Fund Rules~~**

~~(r)~~(o) The Default Rules (including the ForexClear DMP Annex) ~~and the Default Fund Rules~~ apply to ForexClear Clearing Members and ForexClear Contracts.

**Clearing House Settlement Finality Regulations**

~~(e)~~(p) The Clearing House Settlement Finality Regulations apply in relation to ForexClear Clearing Members and ForexClear Contracts.

**Summary table of Regulations which apply to the ForexClear Service**

~~(p)~~(q) The Regulations listed in this Regulation ~~103~~~~(p)~~[90\(q\)](#) apply to the ForexClear Service as described under Regulation ~~103~~[90\(a\)](#) to ~~(e)~~(p).

Regulation	Title
Regulation 2	Obligation to the Clearing House to each Member
0	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 8	<a href="#">Dealer Status</a>
Regulation 9	<a href="#">Service Withdrawal</a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0	Designation



<b>Regulation</b>	<b>Title</b>
0 (except 0, (d), (i) and (m))	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Official Quotations and Reference Price
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45 and Regulation 46	Netting and Distribution of Assets
Regulation 47	Procedures
0(b)	Interpretation of these Regulations
0	Waiver
0(a)	Validity of Regulations and Action
0(a) and (c) to (e)	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 90 to Regulation 93	ForexClear Regulations
Default Rules	Default Rules (including ForexClear DMP Annex)

<b>Regulation</b>	<b>Title</b>
Settlement Finality Regulations	Settlement Finality Regulations

**Regulation 104** REGULATION 91 **REGISTRATION OF FOREXCLEAR CONTRACTS**

(a) In order to use the ForexClear Service, a ForexClear Participant must submit the particulars of a ForexClear Transaction for registration as a ForexClear Contract in accordance with these ForexClear Regulations and the Procedures.

~~Without prejudice to the Clearing House's rights under paragraph (c) of this Regulation, a ForexClear Clearing Member shall be bound by a ForexClear Contract registered in its name pursuant to the presentation of particulars of a ForexClear Transaction by it or by a ForexClear Dealer with whom the ForexClear Clearing Member is party to a FDC Agreement.~~

~~Without prejudice to the Clearing House's rights under paragraph (c) of this Regulation, a ForexClear Transaction, particulars of which are submitted for registration as a ForexClear Contract, must meet the ForexClear Eligibility Criteria at the time the particulars of the ForexClear Transaction are presented to the Clearing House and must continue to meet such ForexClear Eligibility Criteria at the Registration Time as defined in Regulation 104(d) below in order to be registered as a ForexClear Contract.~~

~~The Clearing House shall be deemed to register a ForexClear Contract, in accordance with Regulation 105, in the name of a ForexClear Clearing Member at the time prescribed in the Procedures ("Registration Time")~~

~~For the avoidance of doubt, any transaction of which details have been submitted by ForexClear Participants for registration as a ForexClear Contract which is not so registered will remain in effect between the persons party thereto in accordance with any terms agreed between them and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~

(f)(b) Subject to Regulation ~~104(h)~~91(d), if at any time falling after the registration of any ForexClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration did not, at the Registration Time, meet the ForexClear Eligibility Criteria in existence at the Registration Time (an "Ineligible Transaction"), the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with Regulation ~~104(g)~~91(c) below.

(g)(c) Upon a ForexClear Contract (an "Ineligible ForexClear Contract") being set aside under Regulation ~~104(f)~~91(b), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via the ForexClear Matcher that such Ineligible ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all Collateral in respect of variation margin obligations (if any) provided by the Clearing House or by an FXCCM in respect of such Ineligible ForexClear Contract shall be retained by the receiving party upon termination; (iii) where there is a difference between the value of the Ineligible ForexClear Contract as at the last margin run and the value (as determined by the Clearing House) of that Ineligible ForexClear Contract at the time of the next official settlement rate for that currency pair, then a payment shall be made between the FXCCMs to the original Ineligible Transaction equal to such difference; and (iv) these payments shall be deemed to

satisfy in full the relevant party's obligations under the Ineligible ForexClear Contract and shall be retained by the receiving party upon termination as a termination payment.

~~(h)~~(d) The Clearing House may not determine a transaction to be an Ineligible Transaction ~~if~~ after the Valuation Date (as defined in ~~Part A of the Schedule to the ForexClear Regulations~~Procedures) in respect of the ForexClear Contracts arising from the registration of such a transaction has occurred.

~~Where an original party to an Ineligible Transaction is an FXD upon the setting aside of the Ineligible ForexClear Contract under Regulation 104(f), any Parallel Contract (as defined in the FDC Agreement) corresponding to the Ineligible Transaction and arising by operation of the FDC Agreement shall be terminated at the same value as the Ineligible ForexClear Contract to which it corresponds at the time of the notification under Regulation 104(g) and shall thereafter have no force or effect.~~

~~(i)~~(e) The Clearing House shall provide no less than 10 business days' prior notice (including by email) to ForexClear Clearing Members of an amendment to the ForexClear Eligibility Criteria.

~~(k)~~(f) Where a ForexClear Contract relates to an FCM ForexClear Transaction, it is a condition for registration as a ForexClear Contract that the FCM ForexClear Transaction to which the ForexClear Contract relates be presented for clearing: (i) by an ~~Executing Party~~executing party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) as a ForexClear Contract or FCM ForexClear Contract (as the case may be); and (ii) by an FCM Clearing Member on behalf of its FCM Client as an FCM ForexClear Contract. In the event that the Clearing House registers a ForexClear Contract and, for whatever reason, the corresponding FCM ForexClear Contract has not also been registered, the ForexClear Contract shall be deemed not to be registered as a ForexClear Contract until such time as such corresponding FCM ForexClear Contract has been registered.

~~(j)~~(g) In relation to an FCM ForexClear Transaction, if either the ~~Executing Party~~executing party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member (as the case may be) does not present an FCM ForexClear Transaction for clearing, the Clearing House shall set aside any FCM ForexClear Contract or ForexClear Contract that has been registered (if any) and the particulars of the corresponding FCM ForexClear Transaction in question shall at the Clearing House's discretion be either: (i) deemed never to have been submitted to the Clearing House; or (ii) rejected until such time as the Executing Party (in its capacity as an FCM Clearing Member or ForexClear Clearing Member or through its designated FCM Clearing Member or ForexClear Clearing Member) or the FCM Clearing Member have presented the relevant contract to the Clearing House. In addition, any payment made under, or in respect of, any FCM ForexClear Contract set aside or deemed not cleared under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM ~~Regulation [24]~~ and its obligations under this ~~Regulation 104~~Regulation 91 and under FCM ~~Regulation [40]~~, the Clearing House (and each other member of the LCH.Cleartnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear Contract.

## ForexClear Contracts

~~A ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two ForexClear Contracts, one between the First ForexClear Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller, as principals to such contract, and the other between the Clearing House as the Reference Currency Buyer and the Second ForexClear Clearing Member as the Reference Currency Seller, as principals to such contract. For the purposes of this Regulation:~~

~~“First ForexClear Clearing Member” is a ForexClear Clearing Member who was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Buyer, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Buyer; and~~

~~“Second ForexClear Clearing Member” is a ForexClear Clearing Member who was, before registration of the ForexClear Contract, party to the corresponding ForexClear Transaction as the Reference Currency Seller, or who has a subsisting FDC Agreement with the ForexClear Dealer who was party to the corresponding ForexClear Transaction as the Reference Currency Seller.~~

~~With effect from registration of a ForexClear Transaction as two ForexClear Contracts under paragraph (a) of this Regulation:~~

~~the parties to the corresponding ForexClear Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;~~

~~each ForexClear Contract registered under paragraph (a) of this Regulation shall be governed by the ForexClear Contract Terms as applicable to that Contract;~~

~~subject always to sub-paragraph (ii) in respect of the Economic Terms, the First ForexClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the ForexClear Contract to which it is a party as the Reference Currency Buyer had and owed in respect of its counterparty under the corresponding ForexClear Transaction; and~~

~~subject always to sub-paragraph (ii) in respect of the Economic Terms, the Second ForexClear Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the ForexClear Contract to which it is party as the Reference Currency Seller had and owed in respect of its counterparty under the corresponding ForexClear Transaction.~~

~~In subparagraphs (iii) and (iv) a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding ForexClear Transaction (it being assumed, for this purpose, that such ForexClear Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled~~

~~to them or obliged to perform them, and subject to any change thereto as a result of the operation of the Standard Terms.~~

~~If a ForexClear Transaction, is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any ForexClear Contract arising under this Regulation, Regulation 3(b) or Regulation 11.~~

~~In the case of a 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 Regulation 105 shall take effect.~~

**Regulation 106** REGULATION 92 CANCELLATION OF FOREXCLEAR CONTRACTS

- (a) A ForexClear Clearing Member may, in accordance with this Regulation ~~106~~92 and the Procedures, cancel a ForexClear Contract to which it is a party.
- (b) A ForexClear Dealer may, in accordance with this Regulation ~~106~~92 and the Procedures, cancel a ForexClear Contract that arose from a ForexClear Transaction to which it is a party.
- (c) A ForexClear Clearing Member shall be bound by the cancellation of a ForexClear Contract made by the relevant ForexClear Dealer.
- (d) A ForexClear Dealer shall have no obligation to inform, notify or seek the consent of any ForexClear Clearing Member prior to initiating the cancellation of a ForexClear Contract in accordance with ~~Regulation 4(d)~~. Regulation 92(b).
- (e) Each ForexClear Clearing Member is deemed to grant a continuing authority to the Clearing House to terminate any ForexClear Contract registered in the name of that ForexClear Clearing Member upon the request of a ForexClear Dealer with whom that ForexClear Clearing Member is a party to an FDC Agreement.
- (f) The Clearing House shall have no obligation to inform, notify or seek the consent of any ForexClear Clearing Member prior to cancelling a ForexClear Contract in accordance with this Regulation ~~106~~92.
- (g) The cancellation of a ForexClear Contract to which a ForexClear Clearing Member is a party (in this Regulation, the “First ForexClear Contract”) is contingent upon *inter alia* the cancellation of the corresponding ForexClear Contract that arose from the same underlying ForexClear Transaction (in this Regulation, the “Second ForexClear Contract”), and vice versa.
- (h) The date and time of the cancellation of a ForexClear Contract shall be as reported by the Clearing House in accordance with the Procedures and shall be binding on ForexClear Clearing Members.
- (i) The Clearing House may decline to cancel a ForexClear Contract if:
- (i) in the opinion of the Clearing House acting in its sole discretion, the cancellation of that ForexClear Contract is not consistent with the Regulations and Procedures of the Clearing House and any policies of the clearing house concerning risk management;
  - (ii) if there is insufficient Collateral standing to the credit of a ForexClear Clearing Member’s account to accommodate the cancellation of the First ForexClear Contract and/or the Second ForexClear Contract.
- (j) With effect from the time of the cancellation of a ForexClear Contract in accordance with this Regulation ~~106~~92, neither the ForexClear Clearing Member nor the Clearing House shall have any obligations under the terms of that ForexClear Contract and liability in respect thereof.

**REGULATION 93 VARIATION MARGIN ~~UPON THE CANCELLATION OF A FOREXCLEAR CONTRACT~~**

The Clearing House shall, at least daily and in accordance with ~~this Regulation 106, the corresponding Parallel Contract (as defined in the FDC Agreement) arising by operation of the FDC Agreement shall also terminate.~~



### ForexClear Dealers

~~Application for admission to the Register of ForexClear Dealers shall be made in accordance with these Regulations and the [and at the times stated in the Procedures](#). An applicant for admission to the Register of ForexClear Dealers must satisfy the criteria prescribed by the Clearing House from time to time in order to be admitted to the Register of ForexClear Dealers. A ForexClear Dealer shall be subject to, and governed by, these Regulations, the Procedures and, if applicable, the FDC Agreement to which it is for the time being party.~~

~~A person admitted to the Register of ForexClear Dealers shall ensure that it will, at all times, satisfy the criteria prescribed by the Clearing House, from time to time, for admission to the Register.~~

~~The Clearing House may suspend, [transfer to](#), or remove a ForexClear Dealer from the Register of ForexClear Dealers in accordance with these Regulations, the Procedures and, if applicable, the FDC Agreement to which it is for the time being party. Any person who has been suspended from the Register of ForexClear Dealers for a period of more than three months shall be removed from the Register of ForexClear Dealers and must make a new application if it wishes to be readmitted to the Register.~~

~~A ForexClear Dealer may request, by giving three months' written notice to the Clearing House, that its name be removed from the Register of ForexClear Dealers. At the end of such notice period, the Clearing House shall remove the ForexClear Dealer from the Register of ForexClear Dealers.~~

~~A ForexClear Dealer's suspension or removal from the Register of ForexClear Dealers, under paragraph (e), shall not, where it is a Member, affect its membership of the Clearing House, nor, subject to any contrary determination by the Clearing House under Regulation 4(b), shall it affect the categories of Contract which such a person is eligible to have registered in its name.~~

~~Upon the Clearing House serving a default notice in accordance with these Regulations to a ForexClear Clearing Member who is also a ForexClear Dealer, such ForexClear Clearing Member shall automatically be removed from the Register of ForexClear Dealers.~~

~~Without prejudice to paragraph (f) of this Regulation, the Clearing House shall suspend from the Register of ForexClear Dealers, for such period as the Clearing House may determine, any Member (i) whose Clearing Membership Agreement has been terminated; or (ii) who is no longer eligible to have ForexClear Contracts registered in its name, and who is not, from the date of such termination under (i) or such ineligibility under (ii), party to a FDC Agreement with another ForexClear Clearing Member, for such period as the Clearing House may determine.~~

Variation Margin

- (a) ~~The Clearing House shall, at least daily and in accordance with and at the times stated in the Procedures, transfer to, or~~ require transfer from a ForexClear Clearing Member of cash collateral in respect of variation margin. The amount transferred represents the change from the preceding business day in the net present value of all ForexClear Contracts registered in that ForexClear Clearing Member's name.
- (b) The net present value of each ForexClear Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the Procedures. Except as prescribed in the Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.
- (c) The Clearing House pays to (or receives from) each ForexClear Clearing Member interest on cash collateral received (or provided) by the Clearing House in respect of variation margin, calculated in accordance with the Procedures.
- (d) This Regulation is without prejudice to the Clearing House's right to require Collateral to be transferred to it under ~~Regulation 12.~~ Regulation 20.

~~Discontinuation of a Settlement Rate Option~~~~If:~~

~~the administrator of a benchmark that is a Settlement Rate Option has publicly announced that it will discontinue publication of the benchmark (“Discontinued Rate”); and~~

~~ISDA has published a “Multilateral Amendment Agreement” to amend certain transactions to use an alternative benchmark (“Substitute Rate”) in the lieu of the Discontinued Rate on and from a specified date (“Effective Date”);~~

~~then, in respect of a ForexClear Contract in respect of which a Settlement Rate has not been determined as at the Effective Date and which references the Discontinued Rate (“Affected ForexClear Contract”), the Clearing House may, by written notice to all ForexClear Clearing Members, amend the Settlement Rate Option of each Affected ForexClear Contract to reference the Substitute Rate with effect on and from the Effective Date and specify such incidental amendments to the Affected ForexClear Contract as may be required.~~

~~The terms “ISDA”, “Settlement Rate Option” and “Valuation Date” have the meanings given to them by the ForexClear Contract Terms.~~

~~The accidental omission to give notice under this provision to, or the non receipt of notice by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

~~Withdrawal of the ForexClear Service by the Clearing House~~

~~If at any time the Clearing House decides to withdraw the ForexClear Service it shall give not less than six months' written notice to all ForexClear Participants in accordance with the notice provisions in the Clearing Membership Agreement or the FDC Agreement (as applicable) to which a ForexClear Participant is party of the date on which the service will be withdrawn ("the ForexClear Withdrawal Date"). The accidental omission by the Clearing House to give notice under this Regulation to, or the non-receipt of notice under this Regulation by, one or more ForexClear Participants shall not invalidate the ForexClear Withdrawal Date. If the Clearing House becomes aware that it has omitted to give notice under this Regulation to any ForexClear Participant prior to the ForexClear Withdrawal Date it will immediately notify the affected ForexClear Participant(s) of the ForexClear Withdrawal Date in accordance with the notice provisions in the Clearing Membership Agreement or the ForexClear Dealer Clearing FDC Agreement (as applicable) to which a ForexClear Participant is party.~~

~~Without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register a ForexClear Contract, other than a closing-out contract, after notice to withdraw the service has been given under Regulation 109(a).~~

~~If, five Business Days before the ForexClear Withdrawal Date, a ForexClear Clearing Member has not closed-out all open ForexClear Contracts registered in its name, the Clearing House shall, with five Business Days' notice to the ForexClear Clearing Member be entitled to:~~

~~liquidate any or all of such ForexClear Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and~~

~~postpone the ForexClear Withdrawal Date until such time as the Clearing House determines.~~

~~Business Days for the purpose of this Regulation 109 means a day (other than a Saturday or Sunday) on which banks are open for general business in London.~~

**SCHEDULE TO THE FOREXCLEAR REGULATIONS****Part A****ForexClear Contract Terms**

~~The terms of a registered ForexClear Contract shall include these ForexClear Contract Terms which shall comprise:~~

- ~~(1) Interpretation;~~
- ~~(2) Economic Terms; and~~
- ~~(3) Standard Terms, being both the:
  - ~~A. Specific Standard Terms; and~~
  - ~~B. General Standard Terms~~~~

~~In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.~~

~~Subject to the Regulations and the Procedures, the Clearing House will use the ForexClear Contract Terms applicable to a ForexClear Contract to calculate the amounts due under the ForexClear Contract to, or from, the Clearing House in accordance with the Procedures.~~

~~— **Interpretation (“Interpretation”)**~~

- ~~1.1. “ISDA Definitions” means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), the Emerging Markets Trade Association (“EMTA”) and The Foreign Exchange Committee (“FXC”) and the same are incorporated by reference herein.~~
- ~~1.2. Words and expressions used in these ForexClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.~~
- ~~1.3. In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.~~
- ~~1.4. References in the ISDA Definitions to an “FX Transaction” shall be deemed to be references to a “ForexClear Transaction” for the purposes of ForexClear.~~
- ~~1.5. Except where expressly stated otherwise, all reference to “Sections” means Sections in the ISDA Definitions.~~
- ~~1.6. In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the ForexClear Clearing Members, give directions as to whether such amendment shall apply to ForexClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine (provided that in any event any such amendment shall only apply in~~

~~relation to ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).~~

- ~~1.7. Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to ForexClear Contracts going forward, these ForexClear Contracts shall continue, for the purpose of margining, valuation, set off or otherwise, to be regarded as fully fungible with ForexClear Contracts registered in a ForexClear Clearing Member's name prior to the time such amendment comes into effect.~~
- ~~1.8. The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.~~

### ~~Economic Terms~~

- ~~2.1. The Economic Terms of a ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding ForexClear Transaction.~~
- ~~2.2. The particulars of a ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:~~
- ~~(1) Trade Date (Section 1.25)~~
  - ~~(2) Forward Rate (Section 2.1(a))~~
  - ~~(3) Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD~~
  - ~~(4) Reference Currency Buyer (Section 1.20)~~
  - ~~(5) Reference Currency Seller (Section 1.22)~~
  - ~~(6) scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)~~
  - ~~(7) Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).~~
- ~~2.3. However, as set out more particularly in Regulation 105, where the ForexClear Transaction specifies a ForexClear Clearing Member as the Reference Currency Seller, with the other ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each ForexClear Contract to which it is party pursuant to the corresponding ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such ForexClear Contract, respectively.~~

### ~~Specific Standard Terms ("Specific Standard Terms")~~

~~The following terms are designated as Specific Standard Terms of a registered ForexClear Contract:~~

~~3.1. The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an “EMTA Template”), governs the terms of a ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.~~

~~3.2. In the format “Reference Currency – Settlement Currency”, the Currency Pairs are~~

~~(1) BRL-USD~~

~~(2) CLP-USD~~

~~(3) CNY-USD~~

~~(4) INR-USD~~

~~(5) KRW-USD~~

~~(6) RUB-USD~~

~~(7) COP-USD~~

~~(8) IDR-USD~~

~~(9) MYR-USD~~

~~(10) PHP-USD~~

~~(11) TWD-USD~~

~~3.3. Certain Specific Standard Terms of each ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each ForexClear Contract:~~

~~(1) Date of Annex A (Section 4.2):~~

~~Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.~~

~~(2) Reference Currency (Section 1.19):~~

~~To be determined by using the EMTA Template appropriate to the particular Currency Pair.~~

~~Calculation Agent (Section 1.3):~~

~~(3) The Clearing House is the Calculation Agent.~~

~~3.4. If the terms of an EMTA Template conflict with these ForexClear Contract Terms, these ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.~~

## ~~General Standard Terms (“General Standard Terms”)~~

~~The following terms are designated as General Standard Terms of a registered ForexClear Contract:~~

### ~~4.1. Business Days~~

~~For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear Contract.~~

### ~~4.2. Withholding Tax Provisions~~

~~4.2.1. All payments due under a ForexClear Contract shall be made by the ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

~~4.2.2. All payments due under a ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.~~

### ~~4.3. Payment of Stamp Tax~~

~~Each ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (“Stamp Tax Jurisdiction”) or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any ForexClear Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.~~

### ~~4.4. Payments under a ForexClear Contract~~

~~Payments under, and in respect of, a ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.~~

### ~~4.5. Regulations~~



~~A ForexClear Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.~~

#### ~~4.6. — Governing Law~~

~~Each ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.~~

#### ~~4.7. — Third Party Rights~~

~~A person who is not a party to this ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.~~

**Part B****Registration of a ForexClear Contract—Product Eligibility Criteria****1. Registration of a ForexClear Contract**

~~Without prejudice to the Regulations and the Procedures, the Clearing House will only register a ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:~~

- ~~(a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for a ForexClear Transaction;~~
- ~~(b) each party to the transaction is either (i) a ForexClear Dealer or (ii) a ForexClear Clearing Member who has not been declared a defaulter by the Clearing House;~~
- ~~(c) the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.~~

~~and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.~~

**2. Product Eligibility Criteria for a ForexClear Contract**

**CHAPTER XXII – NLX REGULATIONS****Regulation 140 ~~REGULATION 94~~ ~~INTRODUCTION AND APPLICATION~~*****General***

- (a) The Clearing House shall provide the NLX Service subject to and in accordance with the terms of ~~these NLX Regulations~~ 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 ~~these NLX~~ this Regulation and the other Regulations specified in this Regulation to apply to the NLX Service. Other than as specified in ~~the Regulations~~ this Regulation, the remainder of the Regulations shall not apply to the NLX Service.
- (c) Regulations ~~1 and 22~~ and 3 of the Regulations apply to the NLX Service.

***NLX Service Clearing Membership***

- (d) A Clearing Member may apply to become ~~an~~ a NLX Service Clearing Member in accordance with the Procedures.
- (e) ~~Regulations 4(a) to 4(e) (inclusive) apply~~ Regulation 4 applies to NLX Service Clearing Membership and applications therefor ~~as it applies to clearing membership.~~

***NLX's Rules***

- (f) Regulation 5 applies to a NLX Service Clearing Member.
- ~~(f)~~ (g) In the event of any inconsistency between NLX's Rules and the NLX Regulations, the NLX Regulations shall prevail.

***Accounts***

- ~~(g)~~ (h) ~~Regulation 5~~ Regulation 10 applies to the opening and operation of accounts with respect to ~~an~~ a NLX Service Clearing Member. Such accounts shall be designated in accordance with ~~Regulation 8.~~ 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***

- ~~(h)~~ (j) NLX's Rules govern the formation of ~~an~~ a NLX Transaction.
- ~~Regulations 110 and 111~~ Regulation 13 (except Regulation 13(d)) and Regulation 16 govern the registration and formation of ~~an NLX Contract.~~
- ~~(j)~~ (k) ~~Ana~~ An NLX Service Clearing Member may clear NLX Transactions for an NLX Non-Clearing Member in accordance with the Procedures and NLX's Rules Contract.

~~(k)(l)~~ Regulation 18 (and, insofar as relevant, ~~Regulation 3(b)~~ Regulation 12(b)) apply to ~~an~~ NLX Contract which is an open contract.

### *Margin and Collateral*

~~(l)(m)~~ Regulation 20 applies to ~~an~~ 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*

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

### *Physical Settlement*

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

### *Arbitration*

~~(o)(q)~~ Regulation 33 and ~~24~~ 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*

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

### *Default Rules and Default Fund Rules*

~~(q)(s)~~ The Default ~~Rules and the Default Fund~~ 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.

~~Presentation, Allocation~~ Summary table of ~~NLX Transactions and Registration of NLX Contracts~~

~~In order~~ Regulations which apply to ~~utilise the NLX Service~~ ~~an NLX Service Clearing Member~~ must cause particulars of an NLX Transaction to which it is party to be submitted for registration as an NLX Contract, through such means as shall be prescribed by the Procedures.

(u) The Regulations listed in this Regulation 94(u) apply to the NLX Service as described under Regulation 94(a) to (t).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	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 7	<a href="#">Non-Member Market Participant Status</a>
Regulation 9	<a href="#">Service Withdrawal</a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0 (except Regulation 13(d))	<b>Error! Not a valid result for table.</b>
0	Allocation of Original Exchange Contracts
0	Designation
0	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Premium under Option Contracts
0	Official Quotations and Reference Price

<b>Regulation</b>	<b>Title</b>
0	Daily Settlement or Marking to Market
0	Settlement and Revaluation: Clearing Processing System
Regulation 26	Exercise of Options
0	Delivery Contract Arising upon the Exercise of an Option
0	Obligation to Make and Accept Tender under Cleared Exchange Contracts
0	Delivery Contracts
0	Open Contracts Subject to Tender
0	Arrangements for Delivery and Payment of Price
0	Restrictions on Clearing House's Obligations and Liability
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets

<i>Regulation</i>	<i>Title</i>
Regulation 47	Procedures
0	Interpretation of these Regulations
0	Waiver
0	Validity of Regulations and Action
0	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
Regulation 94	NLX Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

~~An NLX Transaction submitted for registration must meet the eligibility criteria prescribed in the Procedures at the time the particulars of such NLX Transaction are presented to the Clearing House and must continue to meet such criteria at the time prescribed in the Procedures ("**Registration Time**") in order to be registered as NLX Contracts. An NLX Service Clearing Member may not revoke, cancel or transfer an NLX Transaction unless permitted by NLX's Rules, the Regulations or the Procedures or with the consent of the Clearing House and NLX.~~

~~An NLX Service Clearing Member shall not allow the submission for registration of a transaction which is not an NLX Transaction.~~

~~The Clearing House may require NLX Transactions presented for registration in the name of an NLX Service Clearing Member to be confirmed by or on behalf of such Member, in which case it shall specify the manner, form and time of such confirmation in the Procedures.~~

~~The Clearing House may decline to register an NLX Transaction in the name of an NLX Service Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any NLX Transaction subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of Collateral by both NLX Service Clearing Members in whose name any such NLX Transaction is to be registered.~~

~~Without prejudice to the Clearing House's rights under paragraph (h) of this Regulation, an NLX Service Clearing Member shall be bound by an NLX Contract registered in its name pursuant to the presentation of particulars of an NLX Transaction.~~

~~The Clearing House shall be deemed to register an NLX Contract in relation to an NLX Transaction in the name of an NLX Service Clearing Member at the Registration Time for that type of NLX Contract in accordance with Regulation 112.~~

~~For the avoidance of doubt, any transaction of which details have been submitted for registration as NLX Contracts which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the NLX Trading Facility through or on which the transaction was executed or by which it was registered), but subject in all cases to NLX's Rules, and the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.~~

~~If at any time after registration of an NLX Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration was not an NLX Transaction or did not, at the Registration Time, meet the eligibility criteria for registration as an NLX Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such NLX Contract. Upon the purported NLX Contract being set aside under this Regulation 111(i), the particulars of the transaction in question shall be deemed never to have been registered. Any payment made under, or in respect of an NLX Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to Regulation 39 and its obligations under this Regulation 111(i), the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as an NLX Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an NLX Contract,~~



~~NLX Contracts~~

~~An NLX Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two NLX Contracts, one between the First NLX Service Clearing Member as the seller and the Clearing House as the buyer as principals to such contract, and the other between the Clearing House as the seller and the Second NLX Service Clearing Member as the buyer (as the case may be) as principals to such contract. For the purposes of this Regulation:~~

~~"First NLX Service Clearing Member" is an NLX Service Clearing Member who was, before registration of the NLX Contract, party to the corresponding NLX Transaction as the seller;~~

~~"Second NLX~~

**CHAPTER XXIII – FEX REGULATIONS****REGULATION 95 APPLICATION****General**

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

**FEX Service Clearing Membership**

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

**Accounts**

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

**Client Clearing**

- (i) Regulation 11 applies to those FEX Service Clearing Member ~~(who may also be provide (or wish to provide Client Clearing Services.~~

**Formation, registration and transfers of FEX Contracts**

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

Margin and Collateral

~~(iii)(m) Regulation 20 applies to a FEX Service Clearing Member) who was, before registration of the NLX Contract, party to the corresponding NLX Transaction as the buyer.~~

~~With effect from registration of an NLX Transaction as two NLX Contracts under paragraph (a) of this Regulation:~~

~~the parties to the corresponding NLX Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;~~

~~each NLX Contract registered under paragraph (a) of this Regulation shall be governed by the relevant NLX Contract Terms applicable to that NLX Contract;~~

~~subject always to sub-paragraph (ii) above, the First NLX Service Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the NLX Contract to which it is a party as the seller had and owed in respect of its counterparty under the corresponding NLX Transaction; and~~

~~subject always to sub-paragraph (ii) above, the Second NLX Service Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the NLX Contract to which it is a party as the buyer had and owed in respect of its counterparty under the corresponding NLX Transaction.~~

~~In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding NLX Transaction (it being assumed, for this purpose, that such NLX Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.~~

~~If an NLX Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any NLX Contract unless otherwise determined by the Clearing House.~~

~~In the case of an NLX 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 Regulation 112 shall take effect.~~

~~Daily Settlement or Marking to Market~~

~~Where the Procedures so provide, the Clearing House may effect the daily *settlement* to market or daily marking to market of those open NLX Contracts in accordance with the Procedures.~~

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

Options

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

Physical settlement

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

Arbitration

(q) Regulation 33 and Regulation 34 apply to FEX 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 FEX Service Clearing Members and FEX Contracts.

Default Rules

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

Clearing House Settlement Finality Regulations

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

Summary table of Regulations which apply to the FEX Service

(u) The Regulations listed in this Regulation 95(u) apply to the FEX Service as described under Regulation 95(a) to (t).

<i>Regulation</i>	<i>Title</i>
Regulation 2	Obligation to the Clearing House to each Member
0	Performance by the Clearing House of its Obligations under the Terms of an Open Contract
Regulation 4	Clearing Member Status of the Clearing House

<b>Regulation</b>	<b>Title</b>
Regulation 5	Resigning and Retiring Members
Regulation 7	<a href="#">Non-Member Market Participant Status</a>
Regulation 9	<a href="#">Service Withdrawal</a>
Regulation 10	Accounts
Regulation 11	Client Clearing Business
Regulation 12(b)	Novation
0 (except Regulation 13(d))	Presentation of Particulars of Original Exchange Contracts and Confirmation of Original Exchange Contracts.
0	Allocation of Original Exchange Contracts
0	Designation
0	Registration
Regulation 17	Trading Information
0	Transfer
Regulation 20	Margin and Collateral
0	Premium under Option Contracts
0	Official Quotations and Reference Price
0	Daily Settlement or Marking to Market
0	Settlement and Revaluation: Clearing Processing System
Regulation 26	Exercise of Options
0	Delivery Contract Arising upon the Exercise of an Option
0	Obligation to Make and Accept Tender under Cleared Exchange Contracts
0	Delivery Contracts
0	Open Contracts Subject to Tender
0	Arrangements for Delivery and Payment of Price
0	Restrictions on Clearing House's Obligations and Liability

<b><i>Regulation</i></b>	<b><i>Title</i></b>
Regulation 33	Arbitration: Cleared Exchange Contracts, Turquoise Derivatives Cleared Exchange Contracts, EquityClear Contracts or LCH EnClear OTC Contracts (for Physical Delivery)
0	Collateral in Event of a Claim
Regulation 36	Default of a Member: Substituted Obligation
Regulation 37	Market Disorders, Impossibility of Performance, Trade Emergency
0	Force Majeure
Regulation 39	Invoicing Back
0	Currency Conversion
Regulation 41	Disclosure and Reporting
0	Fees and Other Charges
0	Records
Regulation 44	Alteration of Regulations and the Procedures
Regulation 45	Netting
Regulation 46	Distribution of Assets
Regulation 47	Procedures
0	Interpretation of these Regulations
0	Waiver
0	Validity of Regulations and Action
0	Governing Law and Jurisdiction
Regulation 52	Exclusion of Liability
0 Regulation 95	FEX Regulations
Default Rules	Default Rules
Settlement Finality Regulations	Settlement Finality Regulations

~~The Clearing House shall, in accordance with the Procedures, in respect of each open NLX Contract in an NLX Service Clearing Member's name which is subject to daily settlement to market or daily marking to market, effect and register a settlement contract, being a contract on the same terms (except as to price or premium) including the strike price where applicable as the open NLX Contract, save that where an NLX Service Clearing Member is the seller under the terms of the open NLX Contract that NLX Service Clearing Member shall be the buyer under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the Procedures at the relevant NLX Reference Price for that day. The Clearing House shall thereupon settle each open NLX Contract against the respective settlement contract in accordance with the Procedures.~~

~~The Clearing House shall, upon completion of the procedure set out in paragraph (b) above, calculate the daily settlement amounts in accordance with the Procedures and shall thereafter make up the NLX Service Clearing Member's account and upon the Clearing House so doing, that NLX Service Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:~~

~~any profit arising to an NLX Service Clearing Member shall be credited to the applicable account and, subject to the Clearing House's right to retain such profit pursuant to these Regulations, such profit shall be paid to that NLX Service Clearing Member on that NLX Service Clearing Member's request; and~~

~~any loss arising to an NLX Service Clearing Member shall be debited to the applicable account of that NLX Service Clearing Member and (subject to these Regulations) that NLX Service Clearing Member shall pay the amount of such loss to the Clearing House forthwith on demand.~~

~~The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (c) above in the manner prescribed by the Procedures:~~

~~in respect of those open NLX Contracts in an NLX Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily settlement to market, register at the relevant NLX Reference Price referred to in the Procedures, NLX Contracts in that NLX Service Clearing Member's name as open NLX Contracts on the same terms (except as to price or premium) including the strike price where applicable, as the settled open NLX Contracts, save that no NLX Contract for the purchase and no contract for the sale of the same commodity, for the same delivery month, or expiry month and price, shall be registered in that NLX Service Clearing Member's name;~~

~~in respect of those open NLX Contracts in an NLX Service Clearing Member's name which have been settled pursuant to paragraph (b) above and which are subject to daily marking to market as prescribed by the Procedures, register at the relevant NLX Reference Price referred to in the Procedures, NLX Contracts in the NLX Service Clearing Member's name as open NLX Contracts on the same terms (except as to price or premium)~~

~~including the strike price, where applicable, as the settled open NLX Contracts.~~

~~An NLX Service Clearing Member may, in respect of all open NLX Contracts in his name which are subject to daily marking to market, request the Clearing House within the time and in the manner prescribed by the Procedures, to settle such NLX Contracts being the same number of contracts for the purchase and sale of the same commodity for the same delivery month or, where applicable, for the same expiry month and strike price. Such a request, once made, shall be irrevocable unless the Clearing House otherwise consents. Where such a request is made, the Clearing House shall as soon as practicable after the close of trading on that market day (but not necessarily on that day, and provided documentation has been supplied by the Member in accordance with the Procedures) make up the NLX Service Clearing Member's account.~~

~~In respect of those open NLX Contracts of which settlement might have been requested by an NLX Service Clearing Member under paragraph (e) above, the Clearing House may, if no request for settlement has been received by the cessation of trading for the delivery month applicable to those NLX Contracts, at any time thereafter proceed as if settlement had been requested and make up and render the NLX Service Clearing Member's accounts accordingly.~~



~~"Account Balance" ——— M means, in relation to the SwapClear a Relevant Client Clearing Client Business of a dDefaulter, an Individual Segregated Account Balance or an Omnibus Net Segregated Account Balance.~~

~~"ACSP Compression Cycle ——— A" means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by SwapClear Clearing Members in accordance with the provisions of Regulation 48B56 and relevant Compression Documentation.~~

~~Additional Collateral ——— Means, in relation to SwapClear Clearing Client Business, collateral delivered by a SwapClear Clearing Member to the Clearing House in respect of a SwapClear Clearing Client which is in excess of the Required Collateral relating to the SwapClear Clearing Client Business undertaken by the relevant SwapClear Clearing Member in respect of the relevant SwapClear Clearing Client and which has been designated by that SwapClear Clearing Member as being Additional Collateral to be held in the Additional Collateral Account held in respect of that SwapClear Clearing Client.~~

~~Additional Collateral Account ——— Means, in relation to SwapClear Clearing Client Business, a sub-account opened by a SwapClear Clearing Member with the Clearing House in respect of a SwapClear Clearing Client for the purposes of holding Additional Collateral.~~

"Account Information Documents" means the documents called "LCH.Clearnet Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request

"Affiliated Client Omnibus Net Segregated Account" means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account

"Affiliated Client Omnibus Segregated Account" means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients

"Affiliated Omnibus Net Segregated Clearing Clients" means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account

"Affiliated Omnibus Segregated Clearing Clients" means certain Omnibus Segregated Clearing Clients of a Clearing Member (i) whose identities have been recorded by the Membership department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member (ii) who are known to each other and (iii) who have elected to be grouped together in an Omnibus Segregated Account due to the existence of a common relationship between them (whether structural, economic, legal and/or otherwise) which is above and beyond the fact that they are grouped together in the relevant Omnibus Segregated Account.

"Aggregate Excess Loss" means, in relation to a Default, the aggregate amount of all Excess Losses attributable to all types of Relevant Business in which the Defaulter was engaged.

"Aggregate Omnibus Client Clearing Entitlement" has the meaning ascribed to it in Clause 9.3 of the Client Clearing Annex to the Default Rules

"Applied Collateral Excess Proceeds

" means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Clearing Member with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Clearing Member, the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the Clearing Member's obligations to the Clearing House or, in the case of an appropriation, an amount of such non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge) over the Clearing Member's obligations to the Clearing House which have been discharged by that appropriation.

"Applied FCM Buffer" has the meaning assigned to it in the FCM Regulations.

"approved agent" means a person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP.

"Approved Broker" means a person authorised by the Clearing House to participate as a broker in the LCH EnClear OTC service.

"Approved Compression Services Provider (ACSP)" means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with Regulation 48B56 and relevant Compression Documentation.

~~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 SwapClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the SwapClear API).

~~Approved Turquoise Derivatives Settlement Provider~~ The securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the Turquoise Derivatives Service.

~~Approved EquityClear Clearing Agreement~~ An agreement prescribed as such by the Clearing House from time to time between an EquityClear Clearing Member, an EquityClear NCM and the Clearing House.

~~Approved EquityClear Settlement Provider ("ASP")~~ ~~The~~ Approved EquityClear Settlement Provider ("ASP") means the operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts.

Approved EquityClear Trading Platform ("ATP") ~~Any~~ means any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service.

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 or affirmation system or other similar venue or system, approved by the Clearing House for submitting SwapClear Transactions to the Clearing House (and excludes, for the avoidance of doubt, the ClearLink API)

Approved Turquoise Derivatives Settlement Provider means the securities depository or securities settlement system (or an operator thereof) approved by the Clearing House from time to time for the provision of settlement services in connection with the Turquoise Derivatives Service

Associated Clearing House ~~The~~ means the clearing house appointed from time to time by a Co-operating Exchange to act as the central counterparty to some or all transactions made on, or under the rules of the Co-operating Exchange.

Associated Collateral Balance ~~The assets comprising~~ means the ~~Clearing Member Current Collateral Account~~ Balance or Account Balances (as applicable) to be transferred to ~~the~~ Receiving Clearing Member in respect of (i) an Individual Segregated ~~Account~~ Clearing Client ~~or~~; (ii) ~~an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client);~~ (iii) each of the Omnibus Gross Segregated Clearing Clients comprising a group of Combined Omnibus Gross Segregated Clearing Clients; or (iv) each of the Identified Omnibus Net Segregated Clearing Clients or Affiliated Omnibus Net Segregated Clearing Clients within ~~an~~ a particular Omnibus Net Segregated Account (as applicable).

ATP Market Rules ~~The~~ means the rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws which regulate an ATP and the market administered by it as notified from time to time to the Clearing House.

ATS Participant has the meaning assigned to such term in Regulation 63(b)

Auction Portfolio ~~Has~~ has the meaning assigned to it in the Default Rules.

Automated Trading System ~~An~~ means an automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures.

~~Backload Registration Cycle~~ ~~Has~~ Automatic Early Termination Event has the meaning assigned to such term in Rule 5 of the Procedures. ~~Default Rules~~

~~Backloaded Trade~~ ~~Has the meaning assigned to such term in the Procedures.~~

"Backup ~~SwapClear~~ Clearing Member ~~—————~~ Means, in relation to ~~SwapClear~~ Clearing Client Business, the ~~SwapClear~~" means the Clearing Member(s) indicated by a ~~SwapClear~~ Clearing Client as acting as such and notified to the Clearing House from time to time.

"Backup Client" means an Indirect Segregated Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts and Collateral pursuant to a Client to Client Porting

"Backload Registration Cycle" has the meaning assigned to it in the Procedures

"Backloaded Registration Trade" has the meaning assigned to it in the Procedures

"Block IRS Trade ~~————~~" Means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to ~~CFTC~~ Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.

"Board ~~———— The~~" means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange.

"Bond Trade ~~———— A~~" means a trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues.

"Business" means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Services, Commodities Business, Equities Business, ForexClear Business, Listed Interest Rate Business, RepoClear Business and SwapClear Business.

"business day ~~———— In~~" means in respect of a Cleared Exchange Contract, an OTC Contract (except where specified otherwise in the relevant OTC Contract Terms), an LCH EnClear OTC Contract (except where specified otherwise in the LCH EnClear OTC Contract Terms), and an EquityClear Contract a day on which the Clearing House is open for business.

"buyer ~~———— A~~" means a Member (or the Clearing House where the context so requires) who is a buyer under the terms of an exchange contract, a Cleared Exchange Contract, ~~an~~ a Turquoise Derivatives Cleared Exchange Contract, a RepoClear Transaction, a RepoClear Contract, a RepoClear GC Transaction, a RepoClear GC Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, ~~EquityClear (ccCFD) ATP Match~~ or an Eligible OTC Trade, as the case may be.

"Capped Amount" has the meaning as described in Default Rule 15(c)

"Carrying Clearing Member ~~———— A~~" means (a) a SwapClear Clearing Member ~~carrying an account for a~~ that has a Client Account in respect of one or more SwapClear Clearing Clients, and ~~in respect of from~~ which Relevant SwapClear Contracts and the relevant Associated Collateral ~~Balance held in such account~~ Balance(s) may be transferred to a Receiving Clearing Member pursuant to Regulation ~~52C60~~ of these Regulations and in accordance with the Procedures; or (b) in respect of a transfer as described in sub-paragraph (ii) of the definition of "Receiving Clearing Member", an FCM Clearing Member

"CEA" ~~—~~ Hhas the meaning assigned to it in the Default Rules~~-~~

"CFTC" ~~—~~ Hhas the meaning assigned to it in the Default Rules~~-~~

"CFTC Regulations" ~~—~~ Hhas the meaning assigned to it in the FCM Regulations~~-~~

"Cleared Exchange Contract" ~~—~~ A" means a Contract entered into by the Clearing House on the terms of an exchange contract~~-~~

"Clearing Agreement"means in relation to Client Clearing Business entered into by a Clearing Member in respect of any Service, suitable contractual arrangements between the Clearing Member and its Clearing Client in relation to the relevant Client Clearing Service

"Clearing Client" means any LME Clearing Client, RepoClear Clearing Client, SwapClear Clearing Client, EquityClear Clearing Client, LCH EnClear OTC Clearing Client, Turquoise Clearing Client, Nodal Clearing Client[,HKMEx Clearing Client] , ForexClear Clearing Client, NLX Clearing Client or FEX Clearing Client. For the avoidance of doubt, the reference to LCH EnClear OTC Clearing Client includes a Customer (as such term is defined in Procedure 2E 1.4 in respect of LCH EnClear OTC Services)

"Clearing House" ~~—~~ means LCH.Clearnet Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom~~-~~

"Clearing House Applied Collateral" ~~—~~ In" means, in respect of an account of a Clearing Member, any cash Collateral provided by the Clearing House in respect of which the Clearing Member's obligation to return such Collateral has been discharged pursuant to the Rulebook by means of that return obligation having been set-off against an obligation owed by the Clearing House to that Clearing~~-~~ Member, as contemplated by Regulation 20(v)

"Clearing House Current Collateral Balance" ~~—~~ In" means, in respect of an account of a Clearing Member, all cash Collateral which has been transferred by the Clearing House to that Clearing Member (or which would, but for the application of Regulation ~~50~~57(d) or another comparable payment netting provision applying in the ordinary course of business, have been transferred by the Clearing House to that Clearing Member) on account of the Clearing House's variation margin obligations relating to the relevant account pursuant to the Rulebook, less any Clearing House Applied Collateral and any Clearing House Returned Collateral in relation to that account; provided that any amounts transferred by the Clearing House to the Clearing Member for the purpose of settling an obligation in respect of daily settlement amounts pursuant to Regulation ~~15~~23(c) which is due and payable do not form part of the Clearing House Current Collateral Balance~~-~~

"Clearing House Returned Collateral" ~~—~~ In" means, in respect of an account of a Clearing Member, any cash Collateral: (i) which ~~is~~ (i) a Clearing Member has returned to the Clearing House; or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of Regulation ~~15~~23(c) or as a result of the operation of Regulation ~~50~~57(d) or another comparable payment netting provision applying in the ordinary course of business~~-~~

"Clearing House Prescribed Language" ~~—~~ Mmeans, in relation to ~~SwapClearClient~~ Clearing ~~Client~~-Business, the wording prescribed by the Clearing House for inclusion in the

~~SwapClear~~ Clearing Agreements ~~entered into by SwapClear Clearing Members with their clients from time to time~~

~~"Clearing Member Applied Collateral~~ ~~—~~ ~~In~~ means, in respect of an account of a Clearing Member: (i) any cash Collateral in respect of which the Clearing House's obligation to return such Collateral has been discharged pursuant to the Rulebook by means of that return obligation having been set-off against an obligation owed by that Clearing Member to the Clearing House, as contemplated by Regulation ~~1220~~(u); (ii) any non-cash Collateral (including in the form of securities or gold) that has been appropriated and retained by the Clearing House pursuant to an exercise of its powers under a Deed of Charge and applied in or towards discharge of the Clearing Member's obligations to the Clearing House; and (iii) any non-cash Collateral that has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge.

"Clearing Member Current Collateral Balance

~~—~~ ~~In~~ means, in respect of an account of a Clearing Member: (A) the sum of (i) all Collateral which has been transferred by that Clearing Member to the Clearing House (or which would, but for the application of Regulation ~~5057~~(d) or another comparable payment netting provision applying in the ordinary course of business, have been transferred by that Clearing Member to the Clearing House) on account of any type of that Clearing Member's margin obligations relating to the relevant account pursuant to the Rulebook; (ii) the cash proceeds of any non-cash Collateral relating to the relevant account which has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge, the Default Rules or otherwise, to the extent that those proceeds have not ~~yet~~ been applied in or towards discharge of an obligation owed by the Clearing Member to the Clearing House; and (iii) any Applied Collateral Excess Proceeds credited to the relevant account; less (B) any Clearing Member Applied Collateral and any Clearing Member Returned Collateral in relation to that account; provided that any amounts transferred by the Clearing ~~House~~Member to the Clearing ~~Member~~House for the purpose of settling an obligation in respect of daily settlement amounts pursuant to Regulation ~~1523~~(c) which is due and payable do not form part of the Clearing ~~House~~Member Current Collateral Balance.

"Clearing Member Returned Collateral ~~—~~ ~~In~~ 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~~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 ~~1523~~(c) or as a result of the operation of Regulation ~~5057~~(d) or another comparable payment netting provision applying in the ordinary course of business.

"Clearing Membership Agreement ~~—~~ ~~The~~ 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 ~~and the Default Fund Rules~~



~~“Clearing Membership Agreement”~~ includes the FCM Clearing Membership Agreement and the FCM Default Fund Agreement.

~~Client account~~ ~~Means~~ "ClearLink API" means a ~~segregated account~~ ~~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 Clearing Business" means each of LME Client Clearing Business, RepoClear Client Clearing Business, SwapClear Client Clearing Business, EquityClear Client Clearing Business, LCH EnClear OTC Client Clearing Business, Turquoise Client Clearing Business, NODAL Client Clearing Business, [HKMEx Client Clearing Business,] ForexClear Client Clearing Business, NLX Client Clearing Business and FEX Client Clearing Business

"Client Clearing Default Management Process" means the processes of the Clearing House ~~outlined~~ in the ~~name of a Member~~ Client Clearing Annex to the Default Rules and includes the SwapClear DMP in relation to any Contract which Contracts relating to contracts made by the Member with one or more segregated clients are registered and to which monies is a SwapClear Contract in respect of SwapClear Client Clearing Business, the RepoClear DMP in relation to any Fixed Income Contract in respect of RepoClear Client Clearing Business and the ForexClear DMP in relation to any Contract which is a ForexClear Contract in respect of ForexClear Client Clearing Business

"Client Clearing End-User Notice" means the Client Clearing End-User Notice as specified by the Clearing House from time to time

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

"Client Clearing Services" means LME Client Clearing Services, SwapClear Client Clearing Services, RepoClear Client Clearing Services, EquityClear Client Clearing Services, LCH EnClear OTC Client Clearing Services, Turquoise Client Clearing Services[, HKMEx Client Clearing Services] , NODAL Client Clearing Services, ForexClear Client Clearing Services, NLX Client Clearing Services and/or FEX Client Clearing Services

"Client Excess" means (i) in respect of a Client Account other than an Omnibus Gross Segregated Account, that part of the Clearing Member Current Collateral Balance which is in excess of the Total Required Margin Amount for such ~~Contracts are~~ account; and (ii) in respect of an Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients, that portion of the amount by which the Clearing Member Current Collateral Balance for such account exceeds the Total Required Margin Amount for such account which is referable to such Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients (as applicable) as notified to the Clearing House by the relevant Clearing Member in the relevant Client Excess Spreadsheet

"Client Excess Spreadsheet" has the meaning given to the term in Section 1.10 (Client Excess Spreadsheet) of Procedure 4 (Margin and Collateral) of the Clearing House's Procedures

"Client to Client Porting" means the transfer to the appointed Backup Client of all of the open Related Contracts and the balance of the Collateral recorded by the Clearing House as being credited to the relevant Indirect Omnibus Segregated Account

~~"closing-out contract"~~ ~~For~~ means for the purposes of these Regulations, a contract effected by or on behalf of the Clearing House and registered in a Member's name, being a contract on the same terms (except as to price or premium) as an open contract in the Member's name, save that where the Clearing House is a buyer or a fixed rate payer, as the case may be, under the terms of such open contract the Clearing House shall be a seller or floating rate payer, as the case may be, under the terms of such closing-out contract and vice-versa.

"Compression Documentation" ~~Such~~ means such documentation as may be prescribed from time to time by the Clearing House and/or any ACSP (where applicable) in relation to a Multilateral Compression Cycle or a SwapClear Clearing Member's participation in Multilateral Compression services, including:

(i) for a Member Compression Cycle, such agreements and documents as the Clearing House may require from all relevant SwapClear Clearing Members in relation to Multilateral Compression in accordance with the relevant Compression Proposal;

(ii) for an ACSP Compression Cycle, such agreements and documents as may be required by the nominated ACSP and/or the Clearing House in order to allow a SwapClear Clearing Member to receive the services of the ACSP and participate in that ACSP Compression Cycle; and

(iii) such other documentation as the Clearing House may prescribe from time to time in Procedures, user manuals or other guidance documentation regarding Multilateral Compression.

"Compression Proposal" ~~In~~ means, in relation to any Multilateral Compression Cycle, the final statement as to the proposed set of Terminating SwapClear Contracts and the proposed set of resulting Post-Multilateral Compression Contracts, and, in relation to a SwapClear Clearing Member, references to Compression Proposal shall relate to such of the Terminating SwapClear Contracts and Post-Multilateral Compression Contracts as that SwapClear Clearing Member is or will become party to.

"Compression Time" ~~On~~ means, on the date designated by the Clearing House for a Multilateral Compression Cycle, the time at which the Clearing House effects a Multilateral Compression by terminating the Terminating SwapClear Contracts and simultaneously registering the Post-Multilateral Compression Contracts in the names of the SwapClear Clearing Members participating in that Multilateral Compression Cycle in accordance with the Compression Proposal.

~~Co-operating Clearing House (i) a Co-operating Exchange or Associated Clearing House party to a Link Agreement with the Clearing House; or (ii) a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract and agrees to be bound by these Regulations as a Member to the extent and subject to any variations agreed in such agreement.~~



~~Co-operating Exchange~~ — ~~An exchange (which may also act as a central counterparty) which is party to a co-operation agreement with TGHL.~~

"CMS" means the Clearing House's collateral management system

"Collateral" ~~Cash, precious metals, performance bonds~~ means cash, gold and/or securities which are denominated in currencies and of a description acceptable to the Clearing House as prescribed by these Regulations and the Procedures and which have been transferred, or are to be transferred, to or by the Clearing House in or towards discharge of margin obligations or anticipated margin obligations or otherwise as contemplated by the Rulebook. Where the context so permits, references to "Collateral" held by, or transferred to, the Clearing House shall include any cash proceeds resulting from the sale or disposal by the Clearing House of any non-cash Collateral pursuant to an exercise of its powers under a Deed of Charge, and such proceeds shall be considered cash Collateral.

"Combined Omnibus Gross Segregated Clearing Clients" means two or more Omnibus Gross Segregated Clearing Clients within the same Omnibus Gross Segregated Account who have elected to have their positions combined for the purposes of calculating applicable margin requirements (on a net basis as between such Omnibus Gross Segregated Clearing Clients as if such Omnibus Gross Segregated Clearing Clients together are a single Omnibus Gross Segregated Clearing Client for the purposes of the relevant calculations)

"Combined Turquoise Derivatives Orderbook" ~~M~~means the electronic Orderbook operated by TGHL. ~~[and one or more Co-operating Exchanges.]~~

~~Commodity~~ — ~~Any kind of property, currency, documents, right or interest (including an option) which is the subject matter of an exchange contract or an LCH EnClear OTC Contract.~~

"Commodities Business" means any transaction, obligation or liability arising out of any Commodities Contract

"Commodities Contract" means any commodities contract cleared by the Clearing House

"Commodities Clearing Member" means a Clearing Member which engages in Commodities Business

"Commodities Contribution" means the amount of a Commodities Clearing Member's Contribution determined in accordance with the Commodities Default Fund Supplement and shall include any relevant Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the Commodities Clearing Member with the Clearing House

"Commodities Default Fund Supplement" means the Supplement relating to Commodities Business

"Commodities Determination Date" has the meaning assigned to "Determination Date" in Rule C2(c) of the Commodities Default Fund Supplement

"Commodities Excess Loss" means the net sum or aggregate of net sums certified to be payable by a defaulter by a Rule 19 Certificate in respect of Commodities Business, less (a) the proportion of the Capped Amount applicable to Commodities Business under Default

Rule 15(c) and (b) any sums then immediately payable in respect of Commodities Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"Commodities Fund Amount" means the amount of the commodities default fund established from time to time pursuant to the Commodities Default Fund Supplement

"Commodities Service" means the clearing service of the Clearing House relating to Commodities Business

"confirmed contract" ~~—An~~ means an original exchange contract which has been confirmed to the Clearing House by or on behalf of a buyer and a seller pursuant to Regulation 613 or 714 and the Procedures, save that where one or more allocations of an original exchange contract have taken place in accordance with Regulation 714 and the Procedures a "confirmed contract" shall only arise when the last allocation of such original exchange contract has been made and confirmed by a Member pursuant to Regulation 714 and the Procedures.

"Continuing Member " has the meaning as described in Default Rule 26

"Contract" ~~—A~~ means (i) A contract subject to the Regulations entered into by the Clearing House with a Member for the purposes of or in connection with the provision of clearing services including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract; and also (ii) in the case of the Default Rules (including the SwapClear DMP Annex, RepoClear DMP Annex and ForexClear DMP Annex), ~~the Default Fund Rules~~, the FCM Default Fund Agreement, and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Contract.

"contract for differences" ~~—A~~ means a Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, an OTC Contract or an LCH EnClear OTC Contract which is to be performed by cash settlement only.

~~Contribution — In relation to the Default Fund Rules, has the meaning assigned to it in rule 17 of the Default Fund Rules.~~

~~cover — An~~ "Contribution" means the contribution of a Clearing Member to a default fund of the Clearing House and includes, in each case in relation to the relevant Service, a Commodities Contribution, an Equities Contribution, a ForexClear Contribution, a Listed Interest Rate Contribution, a RepoClear Contribution and a SwapClear Contribution

"Co-operating Clearing House" means a clearing house party to an agreement with the Clearing House in respect of the co-clearing of an Exchange pursuant to which such organisation co-clears specific types of Contract and agrees to be bound by these Regulations as a Member to the extent and subject to any variations agreed in such agreement

"Co-operating Clearing House Contract" means, in respect of a Co-operating Clearing House, a class of contract, which is cleared by the Co-operating Clearing House from time to time, permitted to be made by members of the Co-operating Clearing House under Co-operating Clearing House Rules and which is the subject of a Link

"Co-operating Clearing House Rules" means the provisions of a Co-operating Clearing House's Memorandum or Articles of Association or other constitutional documents, by-laws, rules, regulations, procedures, customs, practices, notices and resolutions in whatever form adopted by such Co-operating Clearing House that regulate Co-operating Clearing House Contracts and the members and markets cleared by the Co-operating Clearing House and any amendment, variation or addition thereto

["Co-operating Exchange" means an exchange (which may also act as a central counterparty) which is party to a co-operation agreement with TGHL]

"Cover" means an amount of cash or (with the approval of the Clearing House) non-cash Collateral, determined by the Clearing House, and in a form and currency acceptable to the Clearing House as prescribed in the Procedures.

["Cross-Border Re-registration" means the re-registration of Turquoise Derivatives Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House in accordance with Regulation 87]

~~["Cross-Border Transfers~~ ~~—————~~ ~~The~~ means the automatic transfers of Turquoise Derivatives Cleared Exchange Contracts from an account of a Linked Member maintained with a Co-operating Exchange to an account of a Member with the Clearing House.

~~Cross-Margining Affiliate ——— A Member or a member of a Cross-Margining Exchange who has been accepted as eligible to be a Cross-Margining Participant by the Clearing House or the Cross-Margining Exchange, as the case may be, and who is an affiliate (as defined in a Cross-Margining Agreement) of a Cross-Margining Participant of the other exchange or clearing organisation.~~

~~Cross-Margining Agreement ——— An agreement entered into between the Clearing House and a Cross-Margining Exchange (together or with other parties, as the case may be) pursuant to which the Clearing House agrees to take into account, in calculating the amount of Collateral to be transferred to the Clearing House by a Member who is a Cross-Margining Participant in respect of that Member's initial margin obligations, contracts entered into between the Cross-Margining Exchange and the Cross-Margining Participant or his Cross-Margining Affiliate and pursuant to which the Clearing House is liable to make payments to the Cross-Margining Exchange (and, as the case may be, the Cross-Margining Exchange is liable to make payments to the Clearing House) of amounts calculated in accordance with the terms of the loss-sharing arrangements set forth in such Cross-Margining Agreement.~~

~~Cross-Margining Exchange ——— An exchange, clearing house or organisation party to a Cross-Margining Agreement with the Clearing House.~~

~~Cross-Margining Participant ——— A Member or a member of a Cross-Margining Exchange, which the Clearing House or the Cross-Margining Exchange, as the case may be, has accepted may participate in the cross-margining arrangements set forth in the Cross-Margining Agreement as a Cross-Margining Participant or Cross-Margining Affiliate.~~

"Cross-ISA Client Excess Deduction " means, where a Total Required Margin Amount relates to an Individual Segregated Account held by a Clearing Member on behalf of an

Individual Segregated Account Clearing Client, if and to the extent that Client Excess is available in one or more other Individual Segregated Accounts held by such Clearing Member on behalf of the same Individual Segregated Account Clearing Client, a deduction by the Clearing House from the other Individual Segregated Account(s) of that Client Excess

"daily settlement amounts ~~Amounts~~ " means amounts due to the Clearing House from a Member or to a Member from the Clearing House, as the case may be, arising out of settlement of open contracts pursuant to Regulation ~~1523~~ or Regulation ~~73e75~~, and the Procedures:

~~Day Position Balances~~ ~~For the purposes of the Link Regulations, the meaning attributed to it in the Procedures in respect of Contracts on the terms of a Linked Exchange Contract referred to in Regulation 41(b) or, in respect of contracts on the terms of a Participating Exchange Contract referred to in Regulation 41A, the meaning attributed to it in the relevant Link Agreement.~~

~~Deed of Assignment~~ ~~Means a deed of assignment entered into between a SwapClear Clearing Member and a SwapClear Clearing Client (or, notwithstanding any description to the contrary, such SwapClear Clearing Client's security trustee) in respect of a SwapClear Clearing Agreement. For this purpose, where the Deed of Assignment is entered into with the Clearing House acting as security trustee for the benefit of a SwapClear Clearing Client, any reference to the exercise of rights by a SwapClear Clearing Client pursuant to such Deed of Assignment shall be a reference to the Clearing House exercising such rights in its capacity as a security trustee for the benefit of the SwapClear Clearing Client~~

"Dealer" means a ForexClear Dealer, RepoClear Dealer and/or SwapClear Dealer, as the context may require

"Dealer Clearing Agreement" means a ForexClear Dealer Clearing Agreement, RepoClear Dealer Clearing Agreement, and/or SwapClear Dealer Clearing Agreement, as the context may require

"Dealer Register" means one or more of the Register of ForexClear Dealers, the Register of RepoClear Dealers and/or the Register of SwapClear Dealers, as the context may require

"Deed of Charge" ~~M~~ means a deed of charge entered into between a Clearing Member and the Clearing House in respect of all non-cash Collateral transferred to the Clearing House by that Clearing Member.

"Default" means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Default Rule 3 or the occurrence, in respect of a Clearing Member, of an Automatic Early Termination Event

"Defaulter" has the meaning assigned to it in Default Rule 4

"Defaulting Clearing Member" means a Clearing Member who is a Defaulter

"Defaulting FXCCM" means a FXCCM who is a Defaulter

"Defaulting RCM" means a RCM who is a Defaulter

"Defaulting SCM " means a SCM who is a Defaulter

"Default Loss" has the meaning assigned to it in Default Rule 16(b)

"Default Management Process Agreement Amendment Agreement" ——— Hhas the meaning assigned to it in ~~General~~ Regulation ~~52A~~ 11(r)

~~defaulter~~ ——— Has "Default Notice" has the meaning assigned to it in ~~rule 4 of the~~ Default Rule 3

"Default Rules:"

~~Default Fund Rules~~ ——— ~~The~~ means the Clearing House's Default ~~Fund Rules from time to time in force which, for~~ Rules including the ~~avoidance of doubt, form part of the General Regulations and of the Default Rules.~~

~~Default Rules~~ ——— ~~The Clearing House's Default Rules~~ Supplements from time to time in force pursuant to Part IV of The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which, for the avoidance of doubt, form a part of these General Regulations.

~~Defaulting FXCCM~~ ——— ~~Has the meaning assigned to it in the Default Fund Rules.~~

~~Defaulting SCM~~ ——— ~~Has the meaning assigned to it in the Default Fund Rules.~~

"delivery contract ——— A" means a Cleared Exchange Contract or Turquoise Derivatives Cleared Exchange Contract between the Clearing House and a Member:

——— ~~(i)~~ (a) for the immediate sale and purchase of a commodity arising on the exercise of an option pursuant to these Regulations; or

——— ~~(ii)~~ (b) for the sale and purchase of a commodity for delivery on the date specified in the contract or on the date agreed between the parties, in either case being an open contract under which tender is not required to be given.

"delivery month ——— In" means in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract or, in respect of an LCH EnClear OTC Contract, the meaning ascribed to it in the LCH EnClear OTC Procedures, or in respect of a Turquoise Derivatives Cleared Exchange Contract, an expiration month as defined in the Turquoise Derivatives Rules.

"Determination Date" means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in a Supplement, and includes a Commodities Determination Date, an Equities Determination Date, a ForexClear Determination Date, a Listed Interest Rate Determination Date, a RepoClear Determination Date and a SwapClear Determination Date

"Determined Omnibus Net Segregated Clients" has the meaning assigned to it in the Client Clearing Annex to the Default Rules

~~"Economic Terms~~ ~~That~~ "means that part of the SwapClear Contract Terms, RepoClear Contract Terms, RepoClear GC Contract Terms, EquityClear Contract Terms, LCH EnClear OTC Contract Terms, or ForexClear Contract Terms as the case may require, designated as Economic Terms by the Clearing House from time to time.

~~Eligibility Criteria~~ ~~With regard to an EquityClear Open Offer, the conditions set out in Regulation 62A(e) or 62C(e).~~

~~"Eligible OTC Trade~~ ~~A~~ "means a trade eligible for registration in the LCH EnClear OTC Services.

~~"Eligible US Trading Venue~~ ~~In~~ "means, in respect of a SwapClear Clearing Member, a US Trading Venue for which the Clearing House's records reflect that such SwapClear Clearing Member has completed the Clearing House's process for enabling the SwapClear Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such US Trading Venue to the Clearing House for registration.

"EMIR" means Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories

"EONIA" means in relation to a RepoClear Contribution, the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page (or, if such a rate is not available, such EONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)

"Equities Business" means any transaction, obligation or liability arising out of any Equities Contract

"Equities Clearing Member" means a Clearing Member which engages in Equities Business and includes an EquityClear Clearing Member

"Equities Contract" means any cash equity contracts, EquityClear (ccCFD) Contracts and equity derivative contracts cleared by the Clearing House

"Equities Contribution" the amount of an Equities Clearing Member's Contribution determined in accordance with the Equities Default Fund Supplement and shall include any relevant Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the Equities Clearing Member with the Clearing House

"Equities Default Fund Supplement" means the Supplement relating to Equities Business

"Equities Determination Date" has the meaning assigned to "Determination Date" in Rule E2(c) of the Equities Default Fund Supplement

"Equities Excess Loss" means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of Equities Business, less (a) the proportion of the Capped Amount applicable to Equities Business under Default Rule 15(c) and (b) any sums then immediately payable in respect of Equities Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"Equities Fund Amount" means the amount of the equities default fund established from time to time pursuant to the Equities Default Fund Supplement

"Equities Service" means the clearing service of the Clearing House relating to Equities Business

"EquityClear ATP Match" ~~—An~~ means an EquityClear (Equities) ATP Match or EquityClear (ccCFD) ATP Match:

~~EquityClear Clearing Member — A Member who is designated by the Clearing House as an EquityClear Clearing Member eligible to clear "EquityClear Contracts:~~

Business" means any transaction, obligation or liability arising out of any EquityClear(ccCFD) Contract Terms — The terms applicable to each EquityClear (ccCFD) Contract, where such terms are not specified by the ATP, as set out from time to time in the Schedule to the EquityClear Regulations or the Procedures: Contract

"EquityClear (ccCFD) ATP Match" ~~—An~~ means an EquityClear ATP Match where the relevant ATP Market Rules permit the matching of Trading Platform Particulars that consist of the sale or purchase of an EquityClear Eligible ccCFD and the corresponding purchase or sale, as the case may be, of an EquityClear Eligible ccCFD:

~~EquityClear (ccCFD) Open Offer — The open offer made by the Clearing House in respect of an EquityClear (ccCFD) ATP Match meeting the EquityClear (ccCFD) Open Offer Eligibility Criteria:~~

"EquityClear (ccCFD) Contract" ~~—An~~ means an EquityClear Contract entered into by the Clearing House with an EquityClear Clearing Member on the EquityClear (ccCFD) Contract Terms or such other terms specified by the relevant ATP:

"EquityClear(ccCFD) Contract Terms" means the terms applicable to each EquityClear (ccCFD) Contract, where such terms are not specified by the ATP, as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

"EquityClear (ccCFD) Open Offer" means the open offer made by the Clearing House in respect of an EquityClear (ccCFD) ATP Match meeting the EquityClear (ccCFD) Open Offer Eligibility Criteria

"EquityClear Clearing Client" means, in respect of EquityClear Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"EquityClear Clearing House Business" means EquityClear Contracts entered into by an EquityClear Clearing Member ~~—~~ with the Clearing House on a proprietary basis and for its own account

"EquityClear Clearing Member" means a Member who is designated by the Clearing House as an EquityClear Clearing Member eligible to clear EquityClear Contracts:

"EquityClear Client Clearing Business" means the provision of EquityClear Client Clearing Services by an EquityClear Clearing Member



"EquityClear Client Clearing Services" means the entering into of EquityClear Contracts by an EquityClear Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"EquityClear Contract—~~An~~" means an EquityClear (Equities) Contract and/or an EquityClear (ccCFD) Contract as the case may be.

"EquityClear Contract Terms—~~The~~" means the EquityClear (Equities) Contract Terms and/or the EquityClear (ccCFD) Contract Terms as the case may be.

"EquityClear Eligibility Criteria" means with regard to an EquityClear Open Offer, the conditions set out in Regulation 68(c)

"EquityClear Eligible ccCFD—~~A~~" means a contract for difference in respect of an EquityClear Eligible ~~Underlying~~ Instrument (as such term is defined in the Procedures) prescribed by the Clearing House and eligible for those prescribed parts of the EquityClear service and which appear in the list or lists published for this purpose from time to time by the Clearing House.

~~EquityClear Eligible ccCFD Underlying Instruments—~~The security, index, commodity, currency pair or other asset or product that is the subject matter of an EquityClear (ccCFD) and which appear in the list or lists published for this purpose from time to time by the Clearing House.~~~~

"EquityClear Eligible Equities—~~Securities~~" means securities prescribed from time to time by the Clearing House which are eligible for any part or parts of the EquityClear service and which appear in the list or lists published from time to time by the Clearing House.

"EquityClear (Equities) ATP Match—~~The~~" means the matched Trading Platform Particulars resulting from the matching on an ATP, in accordance with the relevant ATP Market Rules, of Trading Platform Particulars received from, or on behalf of: (i) two EquityClear Clearing Members (with one as buyer and one as seller); or (ii) one EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller).

"EquityClear (Equities) Contract—~~An~~" means an EquityClear Contract entered into by the Clearing House with an EquityClear Clearing Member on the EquityClear (Equities) Contract Terms or such other terms specified by the relevant ATP.

"EquityClear (Equities) Contract Terms—~~The~~" means the terms applicable to each EquityClear (Equities) Contract, where such terms are not specified by the ATP, as set out from time to time in the ~~Schedule to the EquityClear Regulations or the Procedures~~. Product Specific Contract Terms and Eligibility Criteria Manual

"EquityClear (Equities) Open Offer—~~The~~" means the open offer made by the Clearing House in respect of an EquityClear (Equities) ATP Match meeting the EquityClear (Equities) Open Offer Eligibility Criteria.

"EquityClear Mixed Member Match—" means (i) ~~An~~ ATP Match reflecting two sets of matched Trading Platform Particulars submitted by, or on behalf of, one



EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller), or (ii) an EquityClear Novation Transaction between one EquityClear Clearing Member and one member of a relevant Co-operating Clearing House (with one as buyer and one as seller).)

~~EquityClear Non Clearing Member (EquityClear NCM) — A person who is not a Member but is party to an Approved EquityClear Clearing Agreement with an EquityClear Clearing Member/s and the Clearing House, and is included by the Clearing House on the Register of EquityClear NCMs as eligible to submit Trading Platform Particulars to such one or more Approved EquityClear Trading Platform/s as may be approved by the Clearing House with regard to that person, and any resulting EquityClear ATP Matches to the Clearing House, on behalf of the relevant EquityClear Clearing Member pursuant to, and in accordance with, such Approved EquityClear Clearing Agreement, the relevant ATP Market Rules, the Regulations and the Procedures.~~

"EquityClear Novation Transaction — The" means the matched Trading Platform Particulars representing a bilateral transaction and either:

~~(i)(a)~~ concluded other than through the orderbook of a relevant ATP which is capable of being cleared in accordance with the relevant ATP Market Rules and the Regulations; or

~~(ii)(b)~~ concluded through an orderbook of an ATP, where the relevant ATP Market Rules specify that transactions executed there will be cleared via novation; and

~~(iii)~~ in either case is submitted for registration by, or on behalf of, one EquityClear Clearing Member (or, in respect of an EquityClear Mixed Member Match, one member of the relevant Co-operating Clearing House) identified as, or as acting as clearing member for, the buyer and the same or another EquityClear Clearing Member identified as, or as acting as clearing member for, the seller.

"EquityClear Open Offer — An" means an EquityClear (Equities) Open Offer or EquityClear (ccCFD) Open offer

~~EquityClear Participants — EquityClear Clearing Members and EquityClear NCMs.~~

"EquityClear Regulations — The Clearing House's" means those Regulations; applicable which apply to EquityClear Contracts ~~only, from time to time~~ as specified in ~~force.~~ Regulation 67

€"EquityClear Service" the service provided by the Clearing House under the EquityClear Regulations

"€GC Trade — A" means a trading activity in which a RepoClear Participant ("the First Participant") offers to sell (or buy) an agreed value of securities comprised in a €GC Basket; (as defined in the Procedures), to be allocated in accordance with the RepoClear Procedures applicable to RepoClear €GC Contracts, and another RepoClear Participant ("the Second Participant") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:

~~(i)(a)~~ at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear €GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and

~~(ii)(b)~~ the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions ~~ea~~affected either through CBL's service under the AutoAssign Supplement, Euroclear's AutoSelect service or any other equivalent service provided by a ~~Triparty Agent~~triparty agent, as the case may be, as contemplated by the RepoClear Procedures applicable to RepoClear €GC Contracts,

~~and a trade subsequently ensues.~~

~~Event Protection Contract — A Cleared Exchange Contract between the Clearing House and a Member arising in connection with a LIFFE Credit Default Swap Index Contract pursuant to Regulation 18.~~

~~Excess Collateral — Means, in relation to SwapClear Clearing Client Business, collateral, other than Additional Collateral, delivered to the Clearing House by a SwapClear Clearing Member in respect of its SwapClear Clearing Client Business which is in excess of the Required Collateral in respect of such SwapClear Clearing Client Business.~~

~~Exchange — An "Excess Loss" means in relation to any Relevant Business and any Default, the net sum or aggregate of net sums certified to be payable by the Defaulter by a Rule 19 Certificate in respect of the Relevant Business, less (a) the proportion of the Capped Amount applicable to the Relevant Business under Rule 15(c) and (b) any sums then immediately payable in respect of Default Losses for that Relevant Business by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House, and includes, in relation to the relevant Services, a Commodities Excess Loss, an Equities Excess Loss, a ForexClear Excess Loss, a Listed Interest Rate Excess Loss, a RepoClear Excess Loss and a SwapClear Excess Loss~~

~~"Exchange" means an~~ organisation (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market, to which the Clearing House provides clearing services:

~~"exchange contract — A"~~ means a class of contract (1) on the terms published from time to time by an Exchange and permitted to be made by a member of such Exchange on the market administered by that Exchange or otherwise in accordance with Exchange Rules, or (2) eligible for submission to the Clearing House for registration pursuant to the Exchange Rules. For the purposes of these Regulations ~~"exchange contract"~~ shall not include any class of contract capable of being made on the London Stock Exchange, or on any ATP:

~~"Exchange Product Specific Eligibility Criteria" means, as applicable, the relevant LME Contract Terms, [the relevant HKMEx Contract Terms,] the relevant Nodal Contract Terms, the relevant NLX Contract Terms or the relevant FEX Contract Terms~~

~~"Exchange Rules — The"~~ means the rules, regulations, administrative procedures, Memorandum and Articles of Association or bye-laws which regulate an Exchange and the

market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by the Board and any procedures, practices and administrative requirements of the Exchange. The term "Exchange Rules" shall include the Turquoise Derivatives Rules, as the case may be, save where the context otherwise requires.

"Exchange Transaction" means an LME Transaction, a Turquoise Derivatives Transaction, a Nodal Transaction, [a HKMEx Transaction,] a NLX Transaction or a FEX Transaction (as applicable)

"Executing Party" ~~means~~ means each person described as a party to a SwapClear Transaction or a FCM SwapClear Transaction (as applicable) in the details submitted to the Clearing House via the relevant Approved Trade Source System or FCM Approved Trade Source System (as applicable).

"Execution Terms" ~~means~~ means the terms (if any) that apply to a SwapClear Transaction relating to the registration or non-registration of such SwapClear Transaction.

"Exempt Client Clearing Member" means a Clearing Member to which, in the sole determination of the Clearing House, an Exempting Client Clearing Rule would apply upon such Clearing Member becoming a defaulter

"Exempting Client Clearing Rule" means, in relation to a Clearing Member, any law, regulation or statutory provision (having the force of law) of a governmental authority the effect of which, in the determination of the Clearing House in its absolute discretion, is to protect the operation of the Client Clearing Annex of the Default Rules from challenge under the insolvency laws applicable to that Clearing Member

"expiry date or month" ~~means~~ means a date or month prescribed by Exchange Rules in respect of an option contract.

"FCM Approved Trade Source System" ~~Has the meaning assigned to it in the FCM Regulations.~~

FCM Buffer ~~Has the meaning assigned to it in the FCM Regulations.~~

FCM Clearing Member ~~Has the meaning assigned to it in the FCM Regulations.~~

FCM Clearing Membership Agreement ~~Has the meaning assigned to it in the FCM Regulations.~~

FCM Client ~~Has~~ has the meaning assigned to it in the FCM Regulations.

FCM Client Segregated Sub Account ~~Has~~ "FCM Buffer" has the meaning assigned to it in the FCM Regulations.

"FCM Contract" ~~Has~~ "Clearing Member" has the meaning assigned to it in the FCM Regulations.

"FCM Default Fund Clearing Membership Agreement" ~~Has~~ has the meaning assigned to it in the FCM Regulations.

~~"FCM EnClear Contract" Has "Client"~~ has the meaning assigned to it in the FCM Regulations.

~~FCM ForexClear Clearing Services" Has the meaning assigned to it in the FCM Regulations.~~

~~FCM ForexClear Contract" Has "FCM Client Segregated Sub-Account"~~ has the meaning assigned to it in the FCM Regulations.

~~FCM ForexClear Transaction" Has "FCM Contract"~~ has the meaning assigned to it in the FCM Regulations

"FCM Default Fund Agreement" has the meaning assigned to it in the FCM Regulations.

~~FCM Omnibus Clearing Product Client Account with LCH" Has "FCM EnClear Contract"~~ has the meaning assigned to it in the FCM Regulations.

~~"FCM Omnibus ENClear ForexClear Client Account with LCH" Has Clearing Services"~~ has the meaning assigned to it in the FCM Regulations.

~~"FCM Omnibus ForexClear Client Account with LCH" Has "Contract"~~ has the meaning assigned to it in the FCM Regulations.

~~FCM Omnibus SwapClear Client Account with LCH" Has "FCM ForexClear Transaction"~~ has the meaning assigned to it in the FCM Regulations.

~~FCM Procedures" Has "FCM Omnibus Clearing Product Client Account with LCH"~~ has the meaning assigned to it in the FCM Regulations.

"FCM Omnibus EnClear Client Account with LCH" has the meaning assigned to it in the FCM Regulations

"FCM Omnibus ForexClear Client Account with LCH" has the meaning assigned to it in the FCM Regulations

"FCM Omnibus SwapClear Client Account with LCH" has the meaning assigned to it in the FCM Regulations

"FCM Procedures" has the meaning assigned to it in the FCM Regulations

"FCM Regulations" means the Clearing House's FCM Regulations.

"FCM SwapClear Client Clearing Services" Has " has the meaning assigned to it in the FCM Regulations.

"FCM SwapClear Contract" Has " has the meaning assigned to it in the FCM Regulations.

"FCM SwapClear Transaction" H has the meaning assigned to it in the FCM Regulations.

"FCM Transaction" H has the meaning assigned to it in the FCM Regulations.

~~ForexClear Clearing House Business~~ — ~~Means~~ "Fed Funds Rate" means the Federal Funds Rate as published by the Federal Reserve Bank of New York (or, if such a rate is not available, such Fed Fund-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)

"FEX" FEX Global Pty Limited of Level 1, 7 Bridge Street, Sydney NSW 2000, Australia

"FEX Clearing Client" means, in respect of FEX Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"FEX Clearing House Business" means FEX Contracts entered into by a FEX Service Clearing Member with the Clearing House on a proprietary basis and for its own account

"FEX Client Clearing Business" means the provision of FEX Client Clearing Services by a FEX Service Clearing Member

"FEX Client Clearing Services" means the entering into of FEX Contracts by a FEX Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"FEX Contract" means a Contract entered into by the Clearing House with a FEX Service Clearing Member pursuant to the FEX Regulations

"FEX Contract Terms" means the terms of a FEX Contract as set out from time to time in the FEX contract specification provided in the FEX Rules

"FEX Eligible Derivative Product" means a derivative product prescribed from time to time by the Clearing House as eligible for the FEX Service

"FEX Reference Price" means a Reference Price in respect of a FEX Contract

"FEX Regulations" means those Regulations which apply to FEX Contracts as specified in Regulation 95

"FEX Rules" means the rules, practices, procedures, trading protocols and arrangements of the FEX Trading Facility as the case may be and as may be prescribed from time to time relating to FEX Eligible Derivative Products

"FEX Service" means the service provided by the Clearing House under the FEX Regulations

"FEX Service Clearing Member" a Member who is designated by the Clearing House as eligible to clear FEX Contracts

"FEX Trading Facility" means the facility, trading system or systems operated directly or indirectly by FEX on which FEX Eligible Derivative Products may be traded

"FEX Transaction" means a contract in a FEX Eligible Derivative Product between FEX Service Clearing Members arising or registered on a FEX Trading Facility meeting the requirements of the Regulations and the Procedures

"First Defaulter" has the meaning as described in Default Rule 22

"Fixed Income Contract" means a RepoClear Contract or a RepoClear GC Contract

"ForexClear Amendment" has the meaning assigned to it in Rule F12 of the ForexClear Default Fund Supplement

"ForexClear Business" means any transaction, obligation or liability arising out of any ForexClear Contract

"ForexClear Clearing Client" means, in respect of ForexClear Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"ForexClear Clearing House Business" means ForexClear Contracts entered into by a ForexClear Clearing Member with the Clearing House on a proprietary basis and for its own account.

"ForexClear Clearing Member (FXCCM) ~~—A)~~" means a Member who is designated by the Clearing House as a ForexClear Clearing Member eligible to clear ForexClear Contracts which includes, in the case of the Default Rules, ~~the Default Fund Rules~~ (including the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member.

"ForexClear Client Clearing Business means the provision of ForexClear Client Clearing Services by a ForexClear Clearing Member

"ForexClear Client Clearing Services" means the entering into of ForexClear Contracts by a ForexClear Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"ForexClear Contract ~~—A)~~" means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex), ~~the Default Fund Rules; but excluding, for the avoidance of doubt, the Client Clearing Annex~~, the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM ForexClear Contract.

"ForexClear Contract Terms ~~—The)~~" means the terms applicable to each ForexClear Contract as set out from time to time in the ~~Schedule to the~~ Product Specific Contract Terms and Eligibility Criteria Manual

"ForexClear ~~Regulations or~~Contribution" means the ~~Procedures.~~ amount of an FXCCM's Contribution determined in accordance with the ForexClear Default Fund Supplement and shall include any ForexClear Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the FXCCM with the Clearing House

"ForexClear Dealer (FXD)

~~—A)~~ " means a person admitted by the Clearing House to the Register of ForexClear Dealers and who has not been removed from the Register of ForexClear Dealers.

"ForexClear Dealer Clearing Agreement (FDC Agreement)

~~—A)"~~ means a written agreement, in the form and on the terms prescribed by the Clearing House between an FXD, an FXCCM and the Clearing House ~~which has the function, amongst other things, of setting out the terms on which the FXCCM agrees to clear ForexClear Transactions for the ForexClear Dealer.~~

~~ForexClear DMG~~ ~~Has~~ "ForexClear Default Fund Supplement" means the Supplement relating to ForexClear Business

"ForexClear Default Management Process" has the meaning assigned to it in the ~~Default Rules.~~

~~ForexClear DMP~~ ~~Has~~ Annex in the Default Rules

"ForexClear Default Management Process Completion Date" has the meaning assigned to it in the ForexClear DMP Annex in the ~~Default Rules.~~

"ForexClear Default Period" has the meaning ascribed to it in Rule F2 of the ForexClear Default Fund Supplement

"ForexClear Determination Date" has the meaning assigned to it in Rule F2 of the ForexClear Default Fund Supplement

"ForexClear DMG" has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules

"ForexClear DMP" has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules

"ForexClear Eligibility Criteria ~~With regard to-~~ means the product eligibility criteria in respect of ForexClear Transactions, ~~as set out in~~ the Product Specific Contract Terms and Eligibility Criteria ~~set out in Section 2 of Part B of the Schedule to the ForexClear Regulations.~~ Manual as published on the Clearing House's website from time to time

"ForexClear Excess Loss" means the net sum or aggregate of net sums certified to be payable by a Defaulter in respect of ForexClear Business by a Rule 19 Certificate less (a) the proportion of the Capped Amount applicable to ForexClear Business under Rule 15(c) and (b) any sums then immediately payable in respect of ForexClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"ForexClear Fund Amount" means the amount as determined in accordance with Rule F2(c) of the ForexClear Default Fund Supplement

"ForexClear Loss Distribution Process" has the meaning assigned to it in Rule F9 of the ForexClear Default Fund Supplement

"ForexClear Matcher ~~A)"~~ means a party which has been notified in writing by the Clearing House to ForexClear Participants ~~-~~ from time to time as being a matching provider for the ForexClear Service.



"ForexClear Participants (FXPs) ~~)~~" means ForexClear Clearing Members, and ForexClear Dealers, and "ForexClear Participant" means either of them:

"ForexClear Regulations" means those ~~Regulations~~ ~~The Regulations entitled as such, applicable which apply~~ to ForexClear Contracts ~~only, from time to time~~as specified in foree-Regulation 90

"ForexClear Service ~~The~~" means the service provided by the Clearing House under the ForexClear Regulations:

"ForexClear Transaction ~~A~~" means a contract, meeting the ForexClear Eligibility Criteria for registration as a ForexClear Contract, entered into between two ForexClear ~~Clearing Members~~Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations. In addition, a ForexClear Transaction shall include an FCM ForexClear Transaction where the relevant ForexClear Clearing Member is an ~~Executing Party~~executing party

"ForexClear Unfunded Contribution" has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement

"ForexClear Unfunded Contribution Notice" has the meaning assigned to it in Rule F8 of the ForexClear Default Fund Supplement

"ForexClear Voluntary Payment" has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement

"ForexClear Voluntary Payment Notice" has the meaning assigned to it in Rule F10 of the ForexClear Default Fund Supplement

"Fund Amount" in relation to the Commodities Business, the Equities Business and the Listed Interest Rate Business, has the meaning given to the term "Fund Amount" in the Supplement relating to each such Business and includes such amounts and the ForexClear Fund Amount, the General Fund Amount, the RepoClear Segregated Fund Amount and/or the SwapClear Segregated Fund Amount as applicable

"GC Trade ~~A~~" means a €GC Trade or a SGC Trade:

"Hedged Account" ~~H~~ has the meaning assigned to it in the FCM Regulations:

"HKMEx ~~The~~" means the Hong Kong Mercantile Exchange Limited of 1905 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, and such of its affiliates as may operate the HKMEx Trading System from time to time:]

"HKMEx Clearing Client" means, in respect of HKMEx Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"HKMEx Clearing House Business" means HKMEx Contracts entered into by a HKMEx Service Clearing Member with the Clearing House on a proprietary basis and for its own account



["HKMEx Client Clearing Business" means the provision of HKMEx Client Clearing Services by a HKMEx Service Clearing Member]

["HKMEx Client Clearing Services" means the entering into of HKMEx Contracts by a HKMEx Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients]

["HKMEx Contract ~~—A"~~ means a Contract entered into by the Clearing House with a HKMEx Service Clearing Member pursuant to the HKMEx Regulations.]

["HKMEx Contract Terms ~~—The"~~ means the terms of a HKMEx Contract as set out from time to time in the HKMEx contract specification provided in ~~HKMEx's~~ the HKMEx Rules.]

["HKMEx Eligible Product ~~—A"~~ means a product prescribed from time to time by the Clearing House as eligible for the HKMEx Service.]

~~HKMEx Non-Clearing Member — A person other than a HKMEx Service Clearing Member who is party to an agreement with HKMEx allowing such person to be a participant in the HKMEx Trading System and subjecting such person to the provisions of HKMEx's Rules.~~

~~HKMEx Participants — HKMEx Service Clearing Members and HKMEx Non-Clearing Member.~~

["HKMEx Regulations ~~—The Clearing House's"~~ means those Regulations applicable which apply to HKMEx Contracts ~~from time to time in force~~ as specified in Regulation 88]

["HKMEx's Rules ~~—The"~~ means the rules, practices, procedures, trading protocols and arrangements of the HKMEx Trading System as may be prescribed from time to time relating to HKMEx Eligible Products.]

["HKMEx Service ~~—The"~~ means the service provided by the Clearing House under the HKMEx Regulations.]

["HKMEx Service Clearing Member ~~—A"~~ means a Member who is designated by the Clearing House as eligible to clear HKMEx Contracts.]

["HKMEx Trading System ~~—The"~~ means the facility, trading system or systems operated directly or indirectly by HKMEx on which HKMEx Eligible Products may be traded.]

["HKMEx Transaction ~~—A"~~ means a contract in a HKMEx Eligible Product between HKMEx Service Clearing Members arising or registered on a HKMEx Trading System meeting the requirements of the Regulations and the Procedures.]

["House Clearing Business" means, in respect of SwapClear, SwapClear Clearing House Business and FCM SwapClear Clearing House Business, in respect of ForexClear, ForexClear Clearing House Business and FCM ForexClear Clearing House Business, in respect of RepoClear, RepoClear Clearing House Business and in respect of any other

Service, Contracts entered into by a Clearing Member with the Clearing House on a proprietary basis and for its own account

"House Excess-" means in relation to a Service, that part of the Clearing Member Current Collateral Balance maintained by a Clearing Member with the Clearing House on a proprietary basis and for its own account which is in excess of the relevant Total Required Margin Amount

~~Individual~~ "Identified Client Omnibus Net Segregated Account" ~~—M~~ means, in relation to ~~SwapClear~~ a Relevant Client Clearing ~~Client~~ Business, ~~a sub-(i) an~~ an account opened within the Clearing House by a SwapClear Clearing Member in respect of the relevant Clearing Member on behalf of its Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Identified Client Omnibus Net Segregated Account; together with (ii) for the purposes of the Default Rules, any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients

"Identified Client Omnibus Segregated Account" means (i) an Identified Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Identified Omnibus Segregated Clearing Clients

"Identified Omnibus Net Segregated Clearing Clients" means Identified Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Identified Client Omnibus Net Segregated Account

"Identified Omnibus Segregated Clearing Clients" means, in relation to a Relevant Client Clearing Business, (i) certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities have been recorded by the Membership department of the Clearing House and who are grouped together in a single Omnibus Segregated Account of the Clearing Member but who are not Affiliated Omnibus Segregated Clearing Clients; together with (ii) for the purposes of the Default Rules, any Determined Omnibus Net Segregated Clearing Clients who are grouped together in a single Omnibus Segregated Account

"Indirect Clearing Client" means a client of an Individual Segregated Account Clearing Client in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Indirect Omnibus Segregated Account

"Indirect Omnibus Segregated Account" means in respect of an Individual Segregated Account ~~Business~~.

~~, the sub-account to such~~ Individual Segregated Account Balance ~~—Means, —in respect~~ opened within the Clearing House by the relevant Clearing Member on behalf of an the related Individual Segregated Account Clearing Client, such part of: Clients and designated by the Clearing House as an Indirect Omnibus Segregated Account

"Indirect Segregated Account Clearing Client" means a Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account

"Individual Segregated Account" means an account opened within the Clearing House by a Clearing Member or an FCM which enables the relevant Clearing Member or FCM (as applicable) to distinguish the assets and positions held for the account of an Individual Segregated Account Clearing Client from the assets and positions held for the account of its

other clients, and which is designated by the Clearing House as an Individual Segregated Account

"Individual Segregated Account Balance" means, in respect of an Individual Segregated Account Clearing Client, the Clearing Member Current Collateral Balance of the ~~relevant Clearing Member which is attributable to the~~ Individual Segregated Account held by the relevant Clearing Member on behalf of such client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account).

~~Individual Segregated Account Business ———— Has the meaning ascribed to such term in sub-paragraph (i) of paragraph (c) of Regulation 52A.~~

~~"Individual Segregated Account Clearing Client ———— Means, in relation to SwapClear"~~  
~~\_\_\_\_\_ means a Clearing Client Business, a client~~ in respect of whom ~~a SwapClear~~ the relevant Clearing Member engages clears Contracts with the Clearing House in an Individual Segregated Account

"Inflation FCM SwapClear Contract" has the meaning assigned to it in the FCM Regulations

"Inflation SwapClear Contract " means a SwapClear Contract of the type of Contracts which are identified as being Inflation SwapClear Contracts in ~~Individual Segregated Account Business~~ the Product Specific Contract Terms and Eligibility Criteria Manual, which includes, in the case of the Default Rules (including the SwapClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an Inflation FCM SwapClear Contract

"initial margin ———— An" means an amount determined and published from time to time by the Clearing House with regard to each category of contract, in respect of which Members may be required to transfer to the Clearing House Collateral in accordance with these Regulations and the Procedures as a condition of registration of a contract by the Clearing House and otherwise in respect of all Contracts registered with the Clearing House, as prescribed by these Regulations and the Procedures.

"Insufficient Resources Determination" has the meaning assigned to it in Rule C10 of the Commodities Default Fund Supplement, Rule E10 of the Equities Default Fund Supplement, Rule L10 of the Listed Interest Rate Default Fund Supplement, Rule S11 of the SwapClear Default Fund Supplement, Rule F11 of the ForexClear Default Fund Supplement, or Rule R11 of the RepoClear Default Fund Supplement, as applicable

"IRS FCM SwapClear Contract" has the meaning assigned to it in the FCM Regulations

"IRS SwapClear Contract" means a SwapClear Contract of the type of Contracts which are identified as being IRS SwapClear Contracts in the Product Specific Contract Terms and Eligibility Criteria Manual, which includes, in the case of the Default Rules (including the SwapClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an IRS FCM SwapClear Contract

"LCH Approved Outsourcing Party" ~~—~~ ~~M~~ means a party approved for these purposes by the Clearing House, as set out in the FCM Procedures:

"LCH.Cleernet Group" ~~—~~ ~~The~~ means the group of undertakings consisting of LCH.Cleernet Limited, LCH.Cleernet Group Limited, LCH.Cleernet LLC, LCH.Cleernet (Luxembourg) S.a.r.l, LCH.Cleernet Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH.Cleernet SA. (~~Reference~~ any references to a "member" of LCH.Cleernet Group Limited within these Regulations is to be construed accordingly).

"LCH EnClear OTC Clearing Client" means, in respect of LCH EnClear OTC Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"LCH EnClear OTC Clearing House Business" means LCH EnClear OTC Contracts entered into by a LCH EnClear OTC Clearing Member ~~—~~ ~~A~~ with the Clearing House on a proprietary basis and for its own account

"LCH EnClear OTC Clearing Member" means a Member who is designated by the Clearing House as an LCH EnClear OTC Clearing Member eligible to clear LCH EnClear OTC Contracts:

"LCH EnClear OTC Client Clearing Business" means the provision of LCH EnClear OTC Client Clearing Services by a LCH EnClear OTC Clearing Member

"LCH EnClear OTC Client Clearing Services" means the entering into of LCH EnClear OTC Contracts by a LCH EnClear OTC Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"LCH EnClear OTC Contract" ~~—~~ ~~A~~ means a Contract entered into by the Clearing House with an LCH EnClear OTC Clearing Member on any applicable set of Contract Terms prescribed in the LCH EnClear OTC Regulations:

"LCH EnClear OTC Contract Terms" ~~—~~ ~~The~~ means the relevant Contract Terms in respect of LCH EnClear OTC Contracts: as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

"LCH EnClear OTC Regulations" ~~—~~ ~~The Clearing House's~~ means those Regulations, ~~applicable which apply~~ to LCH EnClear OTC Contracts ~~only, from time to time~~ as specified in ~~force.~~ Regulation 73

"LCH EnClear OTC Service" means the service provided by the Clearing House under the LCH EnClear OTC Regulations

"LCIA Rules" ~~—~~ ~~The~~ means the LCIA Arbitration Rules of The London Court of International Arbitration:

~~LIFFE~~ ~~—~~ ~~LIFFE Administration and Management~~

~~LIFFE Credit Default Swap Index Contract~~ ~~—~~ ~~A Cleared Exchange Contract entered into by the Clearing House and a Member on the LIFFE Credit Default Swap Index Contract Terms.~~

~~LIFFE Credit Default Swap Index Contract Terms~~ ——— ~~The terms of the LIFFE Credit Default Swap Index Contract specification provided in LIFFE Rules.~~

~~LIFFE Market~~ ——— ~~Any market operated by LIFFE regardless as to whether the market is an exchange, multilateral trading facility, alternative trading system, other platform or an over the counter market but excluding any market outside of the European Union operated by LIFFE.~~

~~LIFFE Rules~~ ——— ~~The rules adopted by LIFFE in force from time to time and which govern the membership and operation of a LIFFE Market.~~

"LIBOR" means, in relation to a Contribution, the rate per annum (rounded upwards, if not already such a multiple, to the next whole multiple of one-sixteenth of one per cent) known as the British Bankers' Association Interest Settlement Rate for three-month deposits in sterling being offered to prime banking names in London at or about the time specified by the Procedures for fixing the rate of interest for the period for which interest is payable or, where no such rate is available, such rate as in the opinion of the Clearing House approximates thereto

"Link ——— The" means the trading and/or clearing arrangements established by the Clearing House and a Participating Exchange Co-operating Clearing House and, as the case may be, an Exchange in respect of ~~either or both of the following:~~

~~——— (i) ——— one or more exchange contracts;~~

~~——— (ii) ——— one or more Participating Exchange Contracts.~~

"Link Agreement ——— An" means an agreement entered into between the Clearing House and a Participating Exchange Co-operating Clearing House and, if applicable, an Exchange for the purposes of a Link.

~~Link Clearing Agreement~~ ——— ~~A written agreement in one or more forms and in the terms prescribed by an Exchange, the Clearing House and a Participating Exchange to which, amongst others, a Member is party which has the function, amongst other things, of facilitating the transfer of Contracts on the terms of one or more Linked Exchange Contracts covered by such agreement in accordance with Regulation 41.~~

~~Linked Exchange Contract~~ ——— ~~An exchange contract which is the subject of a Link.~~

~~Linked Member~~ ——— ~~A member of a Co-operating Exchange.~~

~~Link Regulations~~ ——— ~~The Clearing House's Link Regulations from time to time in force.~~

["Linked Member" means an member of a Co-operating Exchange]

"Listed Interest Rate Business" means any transaction, obligation or liability arising out of a Listed Interest Rate Contract

"Listed Interest Rate Clearing Member" means a Clearing Member which engages in Listed Interest Rate Business

"Listed Interest Rate Contract" means any listed interest rate derivative contract cleared by the Clearing House

"Listed Interest Rate Contribution" means the amount of a Listed Interest Rate Clearing Member's Contribution determined in accordance with the Listed Interest Rate Default Fund Supplement and shall include any relevant Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the Listed Interest Rate Clearing Member with the Clearing House

"Listed Interest Rate Default Fund Supplement" means the Supplement relating to Listed Interest Rate Business

"Listed Interest Rate Determination Date" has the meaning assigned to "Determination Date" in Rule L2(c) of the Listed Interest Rate Default Fund Supplement

"Listed Interest Rate Excess Loss" means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of Listed Interest Rate Business, less (a) the proportion of the Capped Amount applicable to Listed Interest Rate Business under Default Rule 15(c) and (b) any sums then immediately payable in respect of Listed Interest Rate Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"Listed Interest Rate Fund Amount" means the amount of the listed interest rate default fund established from time to time pursuant to the Listed Interest Rate Default Fund Supplement

"Listed Interest Rate Service" means the clearing service of the Clearing House relating to Listed Interest Rate Business

"LME" means the London Metal Exchange

"LME Clearing Client" means, in respect of LME Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"LME Clearing House Business" means LME Contracts entered into by a LME Service Clearing Member with the Clearing House on a proprietary basis and for its own account

"LME Client Clearing Business" means the provision of LME Client Clearing Services by a LME Service Clearing Member

"LME Client Clearing Services" means the entering into of LME Contracts by a LME Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"LME Contract" means a Contract entered into by the Clearing House with an LME Service Clearing Member on any applicable set of LME Contract Terms

"LME Contract Terms" means the terms of a LME Contract as set out from time to time in the LME contract specification provided in the LME Rules

"LME Eligible Product" means a product prescribed from time to time by the Clearing House as eligible for the LME Service

"LME Regulations" means those Regulations which apply to LME Contracts as specified in Regulation 53

"LME Rules" means the rules, practices, procedures, trading protocols and arrangements of LME as may be prescribed from time to time relating to LME Eligible Products

"LME Service" means the service provided by the Clearing House under the LME Regulations

"LME Service Clearing Member" means a Member who is designated by the Clearing House as eligible to clear LME Contracts

"LME Transaction" means a contract in an LME Eligible Product between LME Service Clearing Members arising or registered on LMEsmart meeting the requirements of the Regulations and the Procedures

~~"lot~~ "The" means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an exchange contract; ~~or.~~

~~\_\_\_\_\_~~ In relation to a contract other than an exchange contract, the standard unit or quantity prescribed by the relevant contract terms.

~~"LSE~~ "The" means the London Stock Exchange plc or any successor in title.

~~"margin~~ "Initial" means initial margin and/or variation margin and any amounts required to be transferred and maintained under Regulation ~~12~~20(a) (Margin and Collateral); ~~.)~~

"Margin Cover" has the meaning ascribed to such term in Default Rule 15(a)

~~"market~~ "A" means a futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain ~~p~~Participants in that market, to provide clearing services on the terms of these Regulations and the Procedures.

~~"market day~~ "In" means in respect of a commodity, a day on which the market on which that commodity is dealt in is open for trading.

~~Member Compression Cycle~~ A Multilateral Compression Cycle requested by two or more SwapClear Clearing Members and agreed to by the Clearing House in relation to eligible SwapClear Contracts held by those requesting SwapClear Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP.

~~Member or Clearing Member~~ (i) ~~Subject to (ii)~~ "Member" or "Clearing Member" (a) ~~subject to (b)~~ means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a Clearing Membership Agreement and the Procedures, ~~a Participating Exchange~~ or a Co-operating Clearing House, where so agreed with the ~~Participating Exchange or the~~ Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms "Member" and "Clearing Member" for the purposes of these Regulations, Default Rules and Procedures, do not mean shareholder of LCH.Clearnet Limited or of any other undertaking in the LCH.Clearnet Group.



~~(ii)(b)~~ "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules (including the SwapClear DMP Annex and the ForexClear DMP Annex), the ~~Default Fund Rules, the~~ FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time.

~~Member Link Agreement~~ ~~A Link Clearing Agreement or a Trade Allocation Agreement.~~

"Member Compression Cycle" means a Multilateral Compression Cycle requested by two or more SwapClear Clearing Members and agreed to by the Clearing House in relation to eligible SwapClear Contracts held by those requesting SwapClear Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP

"MER" ~~H~~has the meaning assigned to it in Section ~~2C.3.3~~2C3.2 of the Procedures.

"Minimum ForexClear Contribution" means USD 5,000,000

"Minimum Non-Tolerance SwapClear Contribution" means £10,000,000 (which, for the avoidance of doubt, excludes the £3,000,000 minimum amount payable by an SCM in respect of the SwapClear Tolerance Contribution Amount);

"Minimum RepoClear Contribution" means EUR 2,500,000

"Minimum RepoClear Contribution Member" means an RCM in respect of which the Preliminary RepoClear Contribution calculated under Rule R2 of the RepoClear Default Fund Supplement, is equal to or less than the Minimum RepoClear Contribution for the time being

"Minimum SwapClear Contribution Member" means an SCM in respect of which the SwapClear Non-Tolerance Contribution Amount calculated under paragraph (h) of Rule S2 of the SwapClear Default Fund Supplement is equal to or less than the Minimum Non-Tolerance SwapClear Contribution for the time being

"Multilateral Compression" ~~The~~ means the exercise in which some or all of the SwapClear Contracts submitted by two or more SwapClear Clearing Members for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other SwapClear Contracts whose combined notional value is less than the combined notional value of the terminated SwapClear Contracts in that Multilateral Compression Cycle.

"Multilateral Compression Cycle" ~~The~~ means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle.

"Net Recovery" means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Rule 19 Certificate in respect of losses arising upon the Defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the Defaulter

"New Member" means, on the day as at which any Contribution is to be calculated, any Clearing Member which either has become a Clearing Member, or has commenced clearing



in respect of the relevant Service, since the immediately preceding day prescribed for calculating similar Contributions

"NLX—" NASDAQ OMX NLX Limited of 131 Finsbury Pavement, London EC2A 1NT.

"NLX Clearing Client" means, in respect of NLX Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"NLX Clearing House Business" means NLX Contracts entered into by a NLX Service Clearing Member with the Clearing House on a proprietary basis and for its own account

"NLX Client Clearing Business" means the provision of NLX Client Clearing Services by a NLX Service Clearing Member

"NLX Client Clearing Services" means the entering into of NLX Contracts by a NLX Service Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"NLX Contract——" A Contract entered into by the Clearing House with an NLX Service Clearing Member pursuant to the NLX Regulations.

"NLX Contract Terms——The" means the terms of ~~ana~~ NLX Contract as set out from time to time in the NLX contract specification provided in ~~NLX's~~the NLX Rules.

"NLX Eligible Derivative Pproduct——" A derivative product prescribed from time to time by the Clearing House as eligible for the NLX Service.

~~NLX Non-Clearing Participant——A person other than an NLX Service Clearing Member who is party to an agreement with NLX allowing such person to be a participant in the NLX Trading Facility and subjecting such person to the provisions of NLX's Rules.~~

~~NLX Participants——NLX Service Clearing Members and NLX Non-Clearing Participants.~~

"NLX Reference Price——" A Reference Price in respect of an NLX Contract.

"NLX Regulations——The Clearing House's" means those Regulations ~~applicable~~which apply to NLX Contracts ~~from time to time~~as specified in ~~foree.~~Regulation 94

"NLX's Rules"——Tthe 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"——Tthe service provided by the Clearing House under the NLX Regulations.

"NLX Service Clearing Member——A" a Member who is designated by the Clearing House as eligible to clear NLX Contracts.

"NLX Trading Facility" ~~—~~ ~~T~~he facility, trading system or systems operated directly or indirectly by NLX on which NLX Eligible Derivative Products may be traded.

"NLX Transaction" ~~—~~ ~~A~~" 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

"Nodal Contract" ~~—~~ ~~A~~" means a Contract entered into by the Clearing House with a Nodal Service Clearing Member pursuant to the Nodal Regulations.

"Nodal Contract Terms" ~~—~~ ~~The~~" means the terms of a Nodal Contract as set out from time to time in the Nodal contract specification provided in ~~Nodal's~~the Nodal Rules.

"Nodal Eligible Derivative Product" ~~—~~ ~~A~~" means a derivative product prescribed from time to time by the Clearing House as eligible for the Nodal Service.

~~Nodal Non-Clearing Participant~~ ~~—~~ ~~A person other than a Nodal Service Clearing Member who is party to an agreement with Nodal allowing such person to be a participant in the Nodal Trading Facility and subjecting such person to the provisions of Nodal's Rules.~~

~~Nodal Participants~~ ~~—~~ ~~Nodal Service Clearing Members and Nodal Non-Clearing Participants.~~

"Nodal Reference Price" ~~—~~ ~~A~~" means a Reference Price in respect of a Nodal Contract.

"Nodal Regulations" ~~—~~ ~~The Clearing House's~~" means those Regulations applicable which apply to Nodal Contracts ~~from time to time in force.~~

~~Nodal's Rules~~ ~~—~~ ~~The rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products.~~specified in Regulation 89

"Nodal Service" ~~—~~ ~~The~~" means the service provided by the Clearing House under the Nodal Regulations.

~~"Nodal Service Clearing Member" ———— A" means a~~ Member who is designated by the Clearing House as eligible to clear Nodal Contracts.

~~"Nodal Trading Facility" ———— The" means the~~ facility, trading system or systems operated directly or indirectly by Nodal on which Nodal Eligible Derivative Products may be traded.

~~"Nodal Transaction" ———— A" means a~~ contract in a Nodal Eligible Derivative Product between Nodal Service Clearing Members arising or registered on a Nodal Trading Facility meeting the requirements of the Regulations and the Procedures.

"Nodal Rules" means the rules, practices, procedures, trading protocols and arrangements of the Nodal Trading Facility as the case may be and as may be prescribed from time to time relating to Nodal Eligible Derivative Products

"Non-Defaulting FXCCM" means an FXCCM which is not a Defaulter under Rule 4 of the Default Rules

"Non-Defaulting RCM" means an RCM which is not a Defaulter under Rule 4 of the Default Rules

"Non-Defaulting SCM" means an SCM which is not a Defaulter under Rule 4 of the Default Rules

"Non-Deliverable FX Transaction" ———— Hhas the meaning given to it in the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and the Foreign Exchange Committee, or any successor organisations, as amended and updated from time to time.

~~NYSE Liffe Clearing Contract ———— A contract in the terms of a LIFFE exchange contract subject to the LIFFE Rules entered into by LIFFE as central counterparty with a NYSE Liffe Clearing Member including, without limitation, an open contract, settlement contract, re-opening contract or closing-out contract.~~

~~NYSE Liffe Clearing Member ———— A Clearing Member who has been designated by LIFFE to clear NYSE Liffe Clearing Contracts and NYSE Liffe Clearing Membership shall be construed accordingly.~~

~~NYSE Liffe Clearing Service ———— The central counterparty and ancillary services provided by LIFFE to NYSE Liffe Clearing Members in accordance with the LIFFE Rules.~~

~~NYSE Liffe Clearing Membership Agreement ———— The tripartite clearing membership agreement relating to the NYSE Liffe Clearing Service between LIFFE, the Clearing House and each NYSE Liffe Clearing Member, as in force from time to time.~~

"Non-Identified Client Omnibus Net Segregated Account" means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by the relevant Clearing Member on behalf of its Non-Identified Omnibus Segregated Clearing Clients which is designated by the Clearing House as a Non-Identified Client Omnibus Net Segregated Account but, for the avoidance of doubt, does not include any Omnibus Segregated Account comprising Determined Omnibus Net Segregated Clients

"Non- Identified Omnibus Segregated Clearing Client" means, in relation to a Relevant Client Clearing Business, certain Omnibus Segregated Clearing Clients of the relevant Clearing Member or FCM whose identities are not recorded by the Membership department of the Clearing House and who are grouped together in an Omnibus Segregated Account which is not an Identified Client Omnibus Segregated Account or an Affiliated Client Omnibus Segregated Account of the Clearing Member but, for the avoidance of doubt, does not include any Determined Omnibus Net Segregated Clients

"Non-Member Market Participant ("NCP")" means, in respect of a particular Service, a person, other than a Clearing Member in such Service, who meets the criteria set out in Procedure 1 (Clearing Member, Non-Member Market Participant and Dealer Status) and has been notified to the Clearing House in accordance with Regulation 7 (Non-Member Market Participant Status)

"official quotation" ~~A~~ means a price determined by the Clearing House under Regulation ~~14.22~~

"Omnibus ~~NetGross~~ Segregated Account" ~~M~~ means, in relation to ~~SwapClear~~ ~~a Relevant Client~~ Clearing ~~Client~~ Business, ~~a sub-an~~ account opened within the Clearing House by a ~~SwapClear~~ Clearing Member ~~in respect~~ on behalf of a group of Omnibus ~~NetGross~~ Segregated ~~Business~~ Clearing Clients which is designated by the Clearing House as an Omnibus Gross Segregated Account

~~Omnibus-Net~~ "Omnibus Gross Segregated Clearing Clients" means Affiliated Omnibus Segregated Clearing Clients or Identified Omnibus Segregated Clearing Clients (as applicable) in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Omnibus Gross Segregated Account

"Omnibus Segregated Account" means an account opened within the Clearing House by a Clearing Member or an FCM which enables the relevant Clearing Member or FCM (as applicable) to distinguish its assets and positions from the assets and positions held for the account of its clients (or a group of clients). For the avoidance of doubt, the term includes Identified Client Omnibus Segregated Accounts, Affiliated Client Omnibus Segregated Accounts and Non-Identified Client Omnibus Net Segregated Accounts

"Omnibus Segregated Account Balance" ~~M~~ means, in respect of an individual Identified Omnibus ~~Net~~ Segregated Clearing Client or an individual Affiliated Omnibus Segregated Clearing Client, such part of the Clearing Member Current Collateral Balance of the relevant ~~Clearing Member which is attributable to the~~ Omnibus ~~Net~~ Segregated Account ~~held by the relevant Clearing Member on behalf of such client~~ which is attributed by the Clearing House to the relevant client (together with any receivables, rights, intangibles and any other collateral or assets deposited or held with the Clearing House in connection with such an account).

"Omnibus ~~Net Segregated Business~~ ~~Has the meaning ascribed to such term in sub-paragraph (ii) of paragraph (c) of Regulation 52G~~

Segregated Clearing Client" ~~means an Identified Omnibus Net-Segregated Clearing Client~~  
~~Means, in relation to SwapClear Clearing Client Business, a client in respect~~  
~~of whom a SwapClear Clearing Member engages in, an Affiliated Omnibus Net-Segregated~~  
~~Business. Clearing Client and/or a Non-Identified Omnibus Segregated Clearing Client~~

"Open Contract or open contract ~~—————A"~~ means a Contract made with a Member on the terms (subject to variation of such terms as provided in the Regulations) of an original contract or a Contract made with a Member on the terms set out in the Regulations and/or any agreement entered into with the Member, which, in either case, has not been closed-out, settled or invoiced back in accordance with the Regulations and the Procedures. The term ~~"open contract"~~ shall include, where relevant, an option contract and a delivery contract ~~and an Event Protection Contract~~, but shall not include a settlement contract, a re-opening contract or a closing-out contract.

"open contract subject to tender ~~—————A"~~ means a Cleared Exchange Contract made with a Member on the terms (unless otherwise provided in the Regulations) of an original exchange contract in respect of which a tender has been given, which has not been closed out, settled or invoiced back in accordance with the Regulations and the Procedures, and shall include, except where the context otherwise requires, a delivery contract.

"Open Offer for Turquoise Derivatives ~~—————The"~~ means the open offer contained in Regulation ~~7577~~ in relation to Orderbook Matches.

"option ~~—————A"~~ means a right to enter into a contract for the sale and purchase of a commodity for future delivery, a contract for differences, or a delivery contract.

"option contract ~~—————A"~~ means a contract for an option on the terms of an exchange contract; ~~or~~

"original contract ~~—————An"~~ means an original exchange contract, EquityClear Novation Transaction, Eligible OTC Trade, or an OTC Transaction other than a Repo Trade, Bond Trade or GC Trade.

"original exchange contract ~~—————A"~~ means a contract including, where relevant, an option contract on the terms of an exchange contract which:

~~—————(i)(a)~~ has been entered into on a market or otherwise under or in accordance with Exchange Rules and subject to Exchange Rules of which particulars are to be presented to the Clearing House for registration in the name of members in accordance with Exchange Rules, the Regulations or the Procedures; or

~~—————(ii)~~ ~~arises pursuant to Regulation 41A(b) upon the transfer of a contract on the terms of a Participating Exchange Contract under a Link; or~~

~~—————(iii)~~ by agreement with a ~~Participating Exchange~~ Co-operating Clearing House is to be registered in the name of a ~~Participating Exchange~~ Co-operating Clearing House in accordance with the terms of any agreement made with a Participating Exchange.

~~—————~~ Where any such contract is for more than one lot there shall be deemed to be a separate contract in respect of each lot and the term ~~"original exchange contract"~~ shall be construed accordingly. The term ~~"original exchange contract"~~ shall include a confirmed contract, except where the context otherwise requires. For the avoidance of doubt, the term

~~“original exchange contract” shall not include any ATP Match made pursuant to the rules of an Approved EquityClear Trading Platform.~~

~~“OTC Contract” A means a Contract entered into by the Clearing House with a Member on the relevant OTC Contract Terms, as prescribed by the Clearing House from time to time, in accordance with the Regulations and the Procedures and/or any agreement entered into with the Member.~~

~~“OTC Contract Terms” The means the SwapClear Contract Terms in respect of SwapClear Contracts, the RepoClear Contract Terms in respect of RepoClear Contracts, the RepoClear SGC Contract Terms in respect of RepoClear SGC Contracts and the RepoClear €GC Contract Terms in respect of RepoClear €GC, Contracts and the ForexClear Contract Terms in respect of ForexClear Contracts.~~

~~“OTC market” Any means any dealings in an investment (as defined in section 22(1) and Schedule 2 Part II of the Financial Services and Markets Act 2000) which are entered into otherwise than on or subject to the rules of an Exchange.~~

~~“OTC Service” A means a service provided by the Clearing House for the clearing of a category of OTC Contract.~~

~~“OTC Transaction” A means a transaction being a SwapClear Transaction, RepoClear Transaction, RepoClear GC Transaction, Repo Trade, Bond Trade or GC Trade, or ForexClear Transaction.~~

~~Participating Exchange An organisation (whether an exchange, association, company or otherwise), other than an Exchange, responsible for administering a futures, options, stock or other market which has concluded a Link Agreement with the Clearing House including such an organisation pursuant to which Link Agreement:~~

~~contracts on the terms of one or more Linked Exchange Contracts are to be transferred to, for clearing by, such organisation; or~~

~~contracts on the terms of one or more Participating Exchange Contracts are to be transferred to, for clearing by, the Clearing House.~~

~~And, for the purposes of these Regulations, the term “Participating Exchange” shall include a Co-operating Clearing House and Co-operating Exchange and any clearing house (other than the Clearing House) which from time to time provides clearing services to such organisation.~~

~~Participating Exchange Contract In respect of a Participating Exchange, means a class of contract, the terms of which are published by the Participating Exchange from time to time, permitted to be made by members of the Participating Exchange under Participating Exchange Rules and which is the subject of a Link.~~

~~Participating Exchange Rules The provisions of a Participating Exchange’s Memorandum or Articles of Association or other constitutional documents, by laws, rules, regulations, procedures, customs, practices, notices and resolutions in whatever form adopted by such Participating Exchange and any amendment, variation or addition thereto.~~

"Own Resources Provision" means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision

"Portfolios" ~~has~~ has the meaning assigned to it in the Default Rules.

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

"Porting Window Reduction" has the meaning assigned to it in the Client Clearing Annex to the Default Rules

"Post-Compression Contracts" ~~means~~ means the Post-Multilateral Compression Contracts and/or any replacement SwapClear Contracts referred to in Regulation ~~48.56~~

"Post-Multilateral Compression Contracts" ~~is~~ is means, in relation to a Compression Proposal, the SwapClear Contracts registered as a result of Multilateral Compression in accordance with such Compression Proposal.

"premium" ~~The~~ The means the consideration for the selling of an option payable by the buyer in accordance with these Regulations and the Procedures.

"Price" ~~is~~ is means in the case of:

~~(i)~~ (a) a contract on the terms of an exchange contract which is to be performed by delivery of a commodity, the consideration to be paid by the buyer in cash in the currency prescribed by the terms of the exchange contract, and in the case of an exchange contract which is a contract for differences, the valuation quoted as a price under its terms: or

~~(ii)~~ (b) an OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and the Procedures; or

~~(iii)~~ (c) an EquityClear Contract, the consideration to be paid by the buyer in cash in the currency as set out in the ATP Match or ~~ATP Match or~~ EquityClear Novation Transaction information received by the Clearing House or its relevant approved agent; or

~~(iv)~~ (d) an LCH EnClear OTC Contract, the price calculated by the Clearing House in accordance with the Regulations and Procedures.

"Procedures" ~~One or more documents containing the working practices~~ means Section 1 (Clearing Member, Non-Member Market Participant and administrative or other requirements Dealer Status), Section 2A (LME Clearing Service) to Section 2K (FEX Service) and Sections 3 (Financial Transactions) to 8 (Complaints) of the Clearing House for the purposes of implementing or supplementing these Regulations, or Rulebook and the procedures for application for and regulation of membership of the Clearing House and in



respect of SwapClear Dealers, RepoClear Dealers, ~~EquityClear NCMs~~, and ForexClear Dealers respectively, for:

~~(i)(a)~~ application for admission to the Register of SwapClear Dealers and regulation of SwapClear Dealers admitted to the Register;

~~(ii)(b)~~ application for admission to the Register of RepoClear Dealers and regulation of RepoClear Dealers;

~~(iii)~~ ~~application for admission to the Register of EquityClear NCMs.~~

~~(iv)(c)~~ application for admission to the Register of ForexClear Dealers;

~~and "Procedures" includes FCM Procedures when used in the Default Rules and the Default Fund Rules.~~

and shall also include FCM Procedures where the term "Procedures" is used in the Default Rules. For the avoidance of doubt, a reference to "Procedures" is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation

"Product" ~~Has~~ has the meaning assigned to it in the FCM Regulations;

"Product Specific Contract Terms and Eligibility Criteria Manual" means the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time

"prompt date" ~~In~~ has, in respect of an exchange contract, the meaning ascribed to it in the Exchange Rules governing such contract;

"Proprietary Account" ~~Means a house~~ means an account with opened within the Clearing House ~~opened in the name of a by a Clearing Member to which Contracts made by the Member for its own account are registered and to which monies~~ in respect of such ~~Contracts are credited.~~ Clearing Member's House Clearing Business

"Protest" ~~H~~ has the meaning given to it in Exchange Rules;

"Rate X" and "Rate Y" ~~M~~ means, in relation to a SwapClear Transaction or a SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment obligations of the other party to the first party;

"Receiving Clearing Member" ~~A~~ means a SwapClear Clearing Member or an FCM Clearing Member nominated by one or more SwapClear Clearing Client(s) to receive the transfer of Relevant SwapClear Contracts and, where applicable, ~~all of the~~ relevant Associated Collateral Balance(s) held in respect of such SwapClear Clearing Client(s) from a Carrying Clearing Member ~~pursuant to Regulation 60 of these Regulations and in accordance with the Procedures. For the avoidance of doubt, (i) an entity that is a SwapClear Clearing Client may also be a Receiving Clearing Member (other than a Receiving Clearing Member that is an FCM Clearing Member), and (ii) a Receiving Clearing Member that is not~~



an FCM Clearing Member may be nominated to receive a transfer of FCM SwapClear Contracts and associated Collateral attributable to an FCM Client from a Carrying Clearing Member that is an FCM Clearing Member pursuant to Regulation 13 of the FCM Regulations (capitalised terms used in this sub-paragraph (ii) having the meanings set out in the FCM Regulations)

"Reference Currency Buyer" ~~—~~ M means in relation to ForexClear Contract that is a Non-Deliverable FX Transaction, the party specified as the 'Reference Currency Buyer' in the Economic Terms;

"Reference Currency Seller" ~~—~~ M means in relation to ForexClear Contract that is a Non-Deliverable FX Transaction, the party specified as the 'Reference Currency Seller' in the Economic Terms;

"Reference Price" ~~—~~ A means a price (howsoever called) by reference to which a Contract is settled to market, marked to market, settled or valued in accordance with the Regulations and Procedures;

~~Register of EquityClear NCMs — The register which lists EquityClear NCMs.~~

"Register of ForexClear Dealers" ~~—~~ The means the register which lists ForexClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as ForexClear Contracts by the Clearing House;

"Register of RepoClear Dealers" ~~—~~ The means the register which lists RepoClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as RepoClear Contracts or RepoClear GC Contracts by the Clearing House or to deal through one or more Automated Trading Systems specified by the Clearing House in respect of each such RepoClear Dealer pursuant to which the Clearing House becomes a party to RepoClear Contracts or RepoClear GC Contracts, as the case may be, in accordance with the terms of the RepoClear Dealer Clearing Agreement and Regulation ~~56A-19~~

"Register of SwapClear Dealers" ~~—~~ The means the register which lists SwapClear Dealers regarded by the Clearing House as for the time being eligible to submit contracts for registration as SwapClear Contracts by the Clearing House;

"Registration Time" ~~—~~ In (i) in respect of SwapClear Contracts shall have the meaning given in Regulation ~~47~~55(e);

(ii) in respect of LME Contracts, [HKMEx Contracts,] Nodal Contracts, NLX Contracts and FEX Contracts shall have the meaning given in the Procedures; and

(iii) in respect of RepoClear Contracts ~~and~~ RepoClear SGC Contracts, shall have the meaning given in Regulation 54(d) or Regulation 55(d), as applicable; in respect of EquityClear Contracts, LCH EnClear OTC Contracts, shall have the meaning given in Regulation 73A, in respect of HKMEx Contracts, shall have the meaning given in Regulation 89(b), in respect of Nodal Contracts, shall have the meaning given in Regulation 93(b), in respect of Turquoise Derivatives Cleared Exchange Contracts and ForexClear Contracts, shall have the meaning given in Regulation 104(d) ~~Regulation 104(d), and in respect of NLX Contracts, shall have the meaning given in Regulation 111(b).~~ the Procedures.

in each case subject to Regulation 16(e)

"Regulations—~~The~~" means the Clearing House's General Regulations which include the ~~Link Regulations~~, Default Rules, ~~Default Fund Rules~~ and Clearing House Settlement Finality Regulations, from time to time in force;

"Regulatory Body—~~The~~" means the Bank of England, the Secretary of State, ~~The~~the Prudential Regulation Authority, the Financial ~~Services~~Conduct Authority or any other professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, ~~the Bank of England~~, the Commodity Futures Trading Commission of the United States (CFTC) or any department, agency, office or tribunal of a nation or state 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;

"Related Contract" means: (i) in relation to the SwapClear Service, a Related SwapClear Contract (as such term is defined in the Procedures); (ii) in relation to the RepoClear Service, a Related RepoClear Contract (as such term is defined in the Procedures); (iii) in relation to the ForexClear Service, a Related ForexClear Contract (as such term is defined in the Procedures); (iv) in relation to the LME Service, a Related LME Service Contract (as such term is defined in the Procedures); (v) in relation to the EquityClear Service, a Related EquityClear Contract (as such term is defined in the Procedures); (vi) in relation to the LCH EnClear OTC Service, a Related LCH EnClear OTC Contract (as such term is defined in the Procedures); (vii) in relation to the Turquoise Derivatives Service, a Related Turquoise Derivatives Cleared Exchange Contract (as such term is defined in the Procedures); (viii) in relation to the Nodal Service, a Related Nodal Contract (as such term is defined in the Procedures); (ix) in relation to the NLX Service, a Related NLX Contract (as such term is defined in the Procedures); (x) in relation to the FEX Service, a Related FEX Contract (as such term is defined in the Procedures); [and (xi) in relation to the HKMEx Service, a Related HKMEx Contract (as such term is defined in the Procedures)]

"Relevant ~~Contract~~—~~Has~~Auction Contract" has the meaning given to the term in the Client Clearing Annex

"Relevant Business" has the meaning as described in Default Rule 15(c)

"Relevant Client Clearing Business" means the Client Clearing Business conducted by a particular Clearing Member in a particular Service

"Relevant Contract" has the meaning assigned to it ~~Regulation 52B~~in the Client Clearing Annex

"Relevant Default" has the meaning ascribed to it in Rule S2 of the SwapClear Default Fund Supplement, Rule F2 of the ForexClear Default Fund Supplement or Rule R2 of the RepoClear Default Fund Supplement, as applicable

"Relevant SwapClear Contracts—~~Those~~" means those SwapClear Contracts registered with a Carrying Clearing Member on behalf of one or more SwapClear Clearing Clients) that are subject to a request to be transferred to a Receiving Clearing Member; and

includes, in the case of a transfer as described in sub-paragraph (ii) of the definition of "Receiving Clearing Member", FCM SwapClear Contracts

"re-opening contract" ~~—A"~~ means a contract arising pursuant to Regulation ~~20(e)30(b)~~ or ~~(d)30(c)~~

~~Repo Trade — A trading activity in which a RepoClear Participant ("the First Participant") offers to sell (or buy) RepoClear Eligible Securities, and another RepoClear Participant ("the Second Participant") offers to buy (or sell, as the case may be) those securities, on condition that, at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) equivalent securities and the First Participant buys (or sells, as the case may be) those equivalent securities, and a trade subsequently ensues.~~

"RepoClear Additional Payments Cap" means, in respect of a RCM on any date, an amount equal to the Clearing Member Current Collateral Balance of that RCM in connection with its RepoClear Business as at the date of the Default causing losses leading to an Insufficient Resources Determination (or, where such an Insufficient Resources Determination is made following concurrent Defaults, the date of the earliest Default)

"RepoClear Amendment" has the meaning assigned to it in Rule R12 of the RepoClear Clearing Member ~~—A~~ Default Fund Supplement

"RepoClear Business" means any transaction, obligation or liability arising out of any Fixed Income Contract

"RepoClear Clearing Client" means, in respect of RepoClear Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"RepoClear Clearing House Business" means, a Fixed Income Contract entered into by a RepoClear Clearing Member with the Clearing House on a proprietary basis and for its own account

"RepoClear Clearing Member" or "RCM" means a Member who is designated by the Clearing House as a RepoClear Clearing Member ~~eligible to clear~~ participating in any part of the RepoClear Service

"RepoClear Client Clearing Business" means the provision of RepoClear Client Clearing Services by a RepoClear Clearing Member

"RepoClear Client Clearing Service" means the entering into of RepoClear Contracts, RepoClear ~~GC~~ Contracts ~~and RepoClear ~~GC~~ Contract,~~ RepoClear GC Contracts or RepoClear SGC Contracts by a RepoClear Clearing Member in respect of its Individual Segregated Account Clearing Clients and/or its Omnibus Segregated Clearing Clients

"RepoClear Contract" ~~—A"~~ means a Contract entered into by the Clearing House with a RepoClear Clearing Member on the RepoClear Contract Terms.

"RepoClear Contract Terms" ~~—The"~~ means the Terms set out ~~or referred to in Parts A~~ from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual

"RepoClear Contribution" means the amount of an RCM's Contribution determined in accordance with the RepoClear Default Fund Supplement and shall include any RepoClear Unfunded Contributions and ~~B of the Schedule to the RepoClear Regulations~~ any relevant Supplementary Contribution deposited and made by the RCM with the Clearing House

"RepoClear Dealer ~~—————A~~" means a person admitted by the Clearing House to the Register of RepoClear Dealers and who has not been removed from the Register.

"RepoClear Dealer Clearing Agreement ~~—————A~~" means a written agreement, in the form and on the terms prescribed by the Clearing House, between a RepoClear Dealer, a RepoClear Clearing Member and the Clearing House which has the function, amongst other things, of setting out the terms on which the RepoClear Clearing Member agrees to clear RepoClear Transactions, RepoClear SGC Transactions, RepoClear €GC Transactions, Repo Trades, Bond Trades, SGC Trades and €GC Trades for the RepoClear Dealer.

"RepoClear Default" means any Default in respect of an RCM

"RepoClear Default Fund Supplement" means the Supplement relating to the RepoClear Business

"RepoClear Default Management Process" has the meaning assigned to it in the RepoClear DMP Annex in the Default Rules

"RepoClear Default Management Process Completion Date" has the meaning assigned to it in the RepoClear DMP Annex in the Default Rules

"RepoClear Default Period" has the meaning ascribed to it in Rule R2 of the RepoClear Default Fund Supplement

"RepoClear Determination Date" has the meaning assigned to it in Rule R2 of the RepoClear Default Fund Supplement

"RepoClear Eligibility Criteria ~~—————With~~" means with regard to RepoClear Transactions, ~~Bond Trades and Repo Trades~~ the product criteria set out in ~~Part B ("the Product Criteria for registration as a RepoClear Specific Contract") of the Schedule to the RepoClear Regulations~~, and with regard to RepoClear SGC Transactions and SGC Trades, ~~the product criteria set out in Part F ("Product Terms and Eligibility Criteria for registration as a RepoClear SGC Contract") of the Schedule to the RepoClear Regulations~~ and with regard to RepoClear €GC Transactions and €GC Trades, the product criteria set out in Part H (~~"Product Eligibility Criteria for the registration of a RepoClear €GC contract") of the Schedule to the RepoClear Regulations.~~ Manual as published on the Clearing House's website from time to time

"RepoClear Eligible Securities ~~—————With~~" means with regard to RepoClear Transactions, Bond Trades and Repo Trades securities of a type described in ~~Part B to the Schedule to the Product Specific Contract Terms and Eligibility Criteria Manual~~

"RepoClear ~~Regulations, and which appear~~ Excess Loss" means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of RepoClear Business less (a) the ~~list published for this purpose from time to time by~~ proportion of the Capped Amount applicable to RepoClear Business under Rule 15(c) and (b) any sums then immediately payable in respect of RepoClear Business Default Losses owed

by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House;

"RepoClear €GC Contract" ~~—A~~ means a Contract entered into by the Clearing House with a RepoClear Clearing Member on the RepoClear €GC Contract Terms.

"RepoClear €GC Contract Terms" ~~—The~~ means the Terms set out ~~or referred from time to time in Parts G~~ the Product Specific Contract Terms and ~~H of the Schedule to the RepoClear Regulations.~~ Eligibility Criteria Manual

"RepoClear €GC Transaction" ~~—A~~ means a contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear €GC Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable.

"RepoClear GC Contract" ~~—A~~ means a RepoClear €GC Contract or a RepoClear SGC Contract.

"RepoClear GC Transaction" ~~—A~~ means a RepoClear €GC Transaction or a RepoClear SGC Transaction.

"RepoClear Loss Distribution Process" has the meaning assigned to it in Rule R9 of the RepoClear Default Fund Supplement

"RepoClear Open Offer Eligibility Criteria" ~~—With~~ means with regard to Bond Trades, Repo Trades and GC Trades, the requirements set out in paragraphs (i) to ~~(v)~~ (vii) inclusive of Regulation ~~5663(c) of the Regulations or in sub-paragraphs (i) to (vi) inclusive of Regulation 56A(e) of the Regulations,~~ as applicable;

"RepoClear Participants" means RepoClear Clearing Members and RepoClear Dealers and "RepoClear Participant" means any of them.

~~RepoClear Regulations —The Clearing House's RepoClear Regulations, applicable to—"RepoClear Regulations"~~ means those Regulations which apply to Fixed Income Contracts only, from time to time as specified in ~~foree.~~ Regulation 61

"RepoClear Segregated Fund Amount" means the amount as determined in accordance with Rule R2 and R3 of the RepoClear Default Fund Supplement

"RepoClear Service" the service provided by the Clearing House under the RepoClear Regulations

"RepoClear SGC Contract" ~~—A~~ means a Contract entered into by the Clearing House with a RepoClear Clearing Member on the RepoClear SGC Contract Terms.

"RepoClear SGC Transaction" ~~—A~~ means a contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear SGC Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing

Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable:-

"RepoClear Transaction—A" means a contract, meeting the requirements of the Regulations and Procedures for registration as a RepoClear Contract, details of which are presented to the Clearing House for registration in the name of RepoClear Clearing Members in accordance with the Regulations, Procedures and the terms of any agreement entered into between the Clearing House and each such RepoClear Clearing Member, and any RepoClear Dealer Clearing Agreement, as applicable. A "RepoClear Repo Transaction" is such a contract for the trade of a repo; -a "RepoClear Bond Transaction" is such a contract for the trade of bond/s:-

"RepoClear Unfunded Contribution" has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement

"RepoClear Unfunded Contribution Notice" has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement

"Reported Trade—A" means a trade, other than a trade resulting in a Turquoise Derivatives Orderbook Match, which is reported to TGHL for registration with the Clearing House in accordance with Exchange Rules [or the terms of any arrangements entered into between TGHL and a Co-operating Exchange-]

~~Required Collateral—Means, in relation to SwapClear Clearing Client Business, the margin required by the Clearing House from a SwapClear Clearing Member from time to time in respect of its SwapClear Client Business.~~

"Repo Trade" means a trading activity in which a RepoClear Participant ("the First Participant") offers to sell (or buy) RepoClear Eligible Securities, and another RepoClear Participant ("the Second Participant") offers to buy (or sell, as the case may be) those securities, on condition that, at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) equivalent securities and the First Participant buys (or sells, as the case may be) those equivalent securities, and a trade subsequently ensues

"Required Margin Amount"

~~—M~~means: (i) in respect of ~~an Individual~~any type of margin and any account other than an Omnibus Gross Segregated Account-or an Omnibus Net Segregated Account, the Required Collateral in respect of that account; and (ii) in respect of ~~an account other than an Individual Segregated Account or an~~any type of margin and (a) each individual Omnibus Net Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Account Clearing Client) comprising an Omnibus Gross Segregated Account; or (b) in respect of Combined Omnibus Gross Segregated Clearing Clients together, the most recent amount of each type of margin which the Clearing House requires in respect of the relevant account or client(s) (as the case may be) as determined by the most recent Collateral balances and valuations shown on the Collateral Management System and notified to the relevant Clearing Member by the Clearing House:-



~~Risk Neutralisation~~ ~~Has~~ "Resignation Effective Date" means the date on which the termination of a Resigning Member's Clearing Member status in respect of a specific Service becomes effective, as specified in Regulation 5(a)

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

"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~~ ~~The~~ "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~~ ~~The~~ "Rules of the Clearing House" means the Rulebook of the Clearing House including the General Regulations, Default Rules, Settlement Finality Rules, and Procedures ~~and these NYSE Liffe Clearing Regulations~~

~~SCM Branch~~ ~~A~~ "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.

"Security Deed" means a security deed entered into by a Clearing Member in favour of its Clearing Clients in the form prescribed by the Clearing House from time to time and published on the Clearing House's website

~~segregated client~~ ~~A~~ "segregated client" means a person whose monies are held by a Member separately from the Member's own monies with whom the Member has agreed (or in respect of which the Member is required) not to use such person's monies for the Member's own account.

~~"seller~~ ~~—~~ ~~A~~" means a Member (or the Clearing House where the context so requires) who is a seller under the terms of an exchange contract, a Cleared Exchange Contract, a Turquoise Derivatives Cleared Exchange Contract, a RepoClear Transaction, a RepoClear ~~SGCGC~~ Transaction, a RepoClear Contract, a RepoClear ~~SGCGC~~ Contract, an EquityClear ATP Match, an EquityClear Novation Transaction, an EquityClear Contract, or an LCH EnClear OTC Contract, as the case may be.

~~"Service~~ ~~—~~ ~~"~~ means any one of the services made available by the Clearing House: (i) to an Exchange; (ii) under the SwapClear Regulations and under the FCM Regulations in respect of FCM SwapClear Contracts; (iii) under the RepoClear Regulations; (iv) under the EquityClear Regulations; (v) under the LCH EnClear OTC Regulations and under the FCM Regulations in respect of FCM EnClear Contracts; (vi) under the Turquoise Derivatives Regulations; ~~(vii) under the HKMEx Regulations;~~ (viii) under the Nodal Regulations; ~~or~~ (ix) under the ~~NYSE-LIFFE Regulations; or (x) under the~~ ForexClear Regulations and under the FCM Regulations in respect of FCM ForexClear Contracts.

~~"settlement contract~~ ~~—~~ ~~A~~" means a contract between the Clearing House and a Member arising pursuant to Regulation ~~15(b), Regulation 73C23(b)~~ or Regulation ~~9175(b)~~ ~~or 95(b)~~.

~~"settlement price~~ ~~—~~ ~~One~~" means one or more prices determined and issued by an Exchange in accordance with its Exchange Rules in respect of a delivery month or prompt date; ~~or~~

~~—~~ In relation to a Contract other than an exchange contract, one or more prices determined in accordance with the Regulations or the Procedures.

~~"SGC Trade~~ ~~—~~ ~~A~~" means a trading activity in which a RepoClear Participant (~~"the First Participant"~~) offers to sell (or buy) an agreed value of securities comprised in an SGC Basket, (as defined in the Procedures), to be allocated in accordance with the RepoClear Procedures applicable to RepoClear SGC Contracts, and another RepoClear Participant (~~"the Second Participant"~~) offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:

~~(i)~~ (a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear SGC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities; and

~~(ii)~~ (b) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight repurchase transactions ~~ea~~ffected through Euroclear UK and Ireland delivery by value (DBV) functionality, as contemplated by the RepoClear Procedures applicable to RepoClear SGC Contracts,

~~—~~and a trade subsequently ensues.

"SONIA" means the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page (or, if such a rate is not available, such SONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)



"Special Member" means:

(a) ~~An~~ an organisation which has the necessary licences, authorisations and approvals to act as a clearing house or otherwise provide clearing services or an organisation which has the necessary licences, authorisations and approvals to administer a futures, options, stock or other market and also to act as a clearing house in respect of such market or markets; ~~or~~

~~\_\_\_\_\_~~ (b) ~~An~~ an organisation carrying on comparable activities, as the Clearing House may determine from time to time,

~~\_\_\_\_\_~~ which has concluded a Clearing Membership Agreement with the Clearing House in such form as the parties may agree, pursuant to which such organisation clears specific types of Contract and agrees to be bound by these Regulations as a Member, to the extent and subject to any variations agreed in such Clearing Membership Agreement.

"Specified Exchange" means Turquoise Global Holdings Limited, The London Metal Exchange Limited, Nodal Exchange LLC, Hong Kong Mercantile Exchange Limited or any Exchange succeeding to any such person

"Standard Terms" ~~That~~ means that part of the SwapClear Contract Terms, the RepoClear Contract Terms, the LCH EnClear OTC Contract Terms, or the ForexClear Contract Terms ~~-designated as Standard Terms by the Clearing House from time to time-~~

"strike price" ~~The~~ means the price specified in an option contract which becomes the price of the commodity under a contract for the future sale and purchase of that commodity for future delivery or, as the case may be, under a delivery contract, in either case on the exercise of the option; ~~the subject of such option contract, in accordance with Exchange Rules, these Regulations and the Procedures-~~

"Supplement" means a supplement specific to a particular Service and includes the Commodities Default Fund Supplement, the Equities Default Fund Supplement, the ForexClear Default Fund Supplement, the Listed Interest Rate Default Fund Supplement, the RepoClear Default Fund Supplement and the SwapClear Clearing Agreement ~~\_\_\_\_\_ Means suitable contractual arrangements between a SwapClear Default Fund Supplement~~

"Supplementary Contribution" means a supplementary Contribution of a Clearing Member ~~and a~~, provided for under Rule C7(b), E7(b), F7(c), L7(b), R7(c) or S7(c) (as applicable), and referable to the relevant Service provided by the Clearing House

"SwapClear Amendment" has meaning assigned to it in Rule S12 of the SwapClear Default Fund Supplement

"SwapClear Business" means any transaction, obligation or liability arising out of any SwapClear Contract

"SwapClear Clearing Client" means, in ~~relation to the~~ respect of SwapClear Client Clearing ~~Services-~~

~~SwapClear Clearing Client~~ ~~\_\_\_\_\_ Means~~ Business, an Individual Segregated Account Clearing Client or an Omnibus ~~Net~~ Segregated Clearing Client.

~~SwapClear Clearing Client Business~~ ——— ~~Means Individual Segregated Account Business and Omnibus Net Segregated Business entered into by a SwapClear Clearing Member in respect of its SwapClear Clearing Clients.~~

~~SwapClear Clearing Client Entitlement~~ ——— ~~Has the meaning assigned to it in Regulation 52B.~~

~~SwapClear Clearing End User Notice~~ ——— ~~Means the SwapClear Clearing End User Notice as specified by the Clearing House from time to time.~~

"SwapClear Clearing House Business" ——— Mmeans SwapClear Contracts entered into by a SwapClear Clearing Member with the Clearing House on a proprietary basis and for its own account.

"SwapClear Clearing Member (" or "SCM) ——— A" means a Member who is designated by the Clearing House as a SwapClear Clearing Member eligible to clear SwapClear Contracts which includes, in the case of the Default Rules, ~~the Default Fund Rules~~ (including the SwapClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM Clearing Member.

"SwapClear Client Clearing Business" means the provision of SwapClear Client Clearing Services ——— ~~Means by a SwapClear Clearing Member~~

"SwapClear Client Clearing Services" means the entering into of SwapClear Contracts by a SwapClear Clearing Member in respect of its Individual Segregated Account Clearing Clients and /or its Omnibus ~~Net~~-Segregated Clearing Clients.

~~SwapClear Clearing Client Entitlement~~ ——— ~~Has the meaning assigned to it General Regulation 52B.~~

"SwapClear Contract ——— A" means a Contract entered into by the Clearing House with a SwapClear Clearing Member on the SwapClear Contract Terms which includes, in the case of the Default Rules (including the SwapClear DMP Annex), ~~but excluding, for the Default Fund Rules,~~ avoidance of doubt, the Client Clearing Annex, the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time, an FCM SwapClear Contract.

"SwapClear Contract Terms ——— The" means the terms applicable to each SwapClear Contract as set out from time to time in the ~~Schedule to the~~ Product Specific Contract Terms and Eligibility Criteria Manual

"SwapClear ~~Regulations or~~Contribution" means the ~~Procedures,~~ amount of an SCM's Contribution determined in accordance with the SwapClear Default Fund Supplement and shall include any SwapClear Unfunded Contributions and any relevant Supplementary Contribution deposited and made by the SCM with the Clearing House

~~SwapClear Dealer (SD)~~ ——— ~~A person admitted by the Clearing House to the Register of SwapClear Dealers and who has not been removed from the Register.~~

"SwapClear Dealer Clearing Agreement ——— A" means a written agreement, in the form and on the terms prescribed by the Clearing House between a SwapClear Dealer, a

SwapClear Clearing Member and the Clearing House ~~which has the function, amongst other things, of setting out the terms on which the SwapClear Clearing Member agrees to clear SwapClear Transactions for the SwapClear Dealer.~~

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~~SwapClear DMG~~ ~~Has~~ "SwapClear Dealer" or "SD" means a person admitted by the Clearing House to the Register of SwapClear Dealers and who has not been removed from the Register

"SwapClear Default Fund Supplement" means the Supplement relating to the SwapClear Business

"SwapClear Default Management Process" has the meaning assigned to it in the ~~Default Rules;~~

SwapClear DMP ~~Has~~ Annex in the Default Rules

"SwapClear Default Management Process Completion Date" has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules;

~~SwapClear Product~~ "SwapClear Default Period" has the meaning ascribed to it in Rule S2 of the SwapClear Default Fund Supplement

"SwapClear Determination Date" has the meaning assigned to it in Rule S2 of the SwapClear Default Fund Supplement

"SwapClear DMG" has the meaning assigned to it in the SwapClear DMP Annex in the Default Rules

"SwapClear DMP" has the meaning assigned to it in the Default Rules

"SwapClear Eligibility Criteria" ~~Means~~ means the product eligibility criteria in respect of SwapClear Transactions as set out in ~~paragraphs 1.1(a), 1.1(b) or 1.1~~ the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time

"SwapClear Excess Loss" means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of SwapClear Business less (a) the proportion of the Capped Amount applicable to SwapClear Business under Rule 15(c) ~~and 3 of Part B of Schedule A to the SwapClear~~ of the Default Rules and (b) any sums then immediately payable in respect of SwapClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House

"SwapClear Regulations

~~SwapClear"~~ means those Regulations ~~The~~ which apply to SwapClear Contracts as specified in Regulation 54

"SwapClear Segregated Fund Amount" means the amount as determined in accordance with Rule S2(b) of the SwapClear Default Fund Supplement

"SwapClear Service" the service provided by the Clearing House under the SwapClear Regulations ~~entitled as such, applicable to SwapClear Contracts only, from time to time in force.~~

"SwapClear Tolerance" ~~—~~ ~~H~~ has the meaning assigned to it in Section 2C.3.32 of the Procedures.

"SwapClear Tolerance Utilisation" means, in respect of each SCM, the value of the SwapClear Tolerance utilised by that SCM at any particular time, as determined by the Clearing House in its sole discretion

"SwapClear Transaction" ~~—~~ ~~M~~ means any transaction the details of which are presented to the Clearing House via an Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract (as the case may be), regardless of whether such transaction (a) is an existing swap transaction, (b) was entered into in anticipation of clearing, or (c) is contingent on clearing.

"SwapClear Unfunded Contribution" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement

"SwapClear Unfunded Contribution Notice" has the meaning assigned to it in Rule S8 of the SwapClear Default Fund Supplement

"SwapClear Voluntary Payment" has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement

"SwapClear Voluntary Payment Notice" has the meaning assigned to it in Rule S10 of the SwapClear Default Fund Supplement

"SWORD" ~~—~~ ~~The~~ means the system ~~operated~~ used by the Clearing House for, inter alia, facilitating the issue, recording and electronic transfer of London Metal Exchange warrants.

"tender" ~~—~~ ~~A~~ means a notice ~~in writing~~, given by or on behalf of a seller (or buyer where Exchange Rules so require) pursuant to Exchange Rules, these Regulations and the Procedures, of an intention to make (or take) delivery of a commodity.

"Terminating SwapClear Contracts" ~~—~~ ~~In~~ means, in relation to any Compression Proposal, the SwapClear Contracts which will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with Regulation ~~48B~~.56

~~The Clearing House Turquoise Derivatives Services~~ ~~—~~ ~~The services provided by the Clearing House pursuant to the Turquoise Derivatives Regulations.~~

"TGHL" ~~—~~ means London Stock Exchange plc -whose registered office is at 10 Paternoster Square, London EC4M 7LS.

~~Trade Allocation Agreement~~ ——— ~~An agreement in one or more forms and in the terms prescribed by an Exchange, the Clearing House and a Participating Exchange to which, amongst others, a Member is a party which has the function of facilitating, amongst other things, the transfer, in accordance with Regulation 41, of those Contracts on the terms of a Linked Exchange Contract which are permitted by the terms of such agreement to be transferred under such agreement.~~

"Total Required Margin Amount" means the aggregate of the Required Margin Amount for all types of margin relating to (i) in respect of any account other than an Omnibus Gross Segregated Account, the relevant account after deducting any amounts pursuant to a Cross-ISA Client Excess Deduction (if applicable) or (ii) in respect of an Omnibus Gross Segregated Account, the relevant Omnibus Gross Segregated Clearing Client or Combined Omnibus Gross Segregated Clearing Clients together (as applicable)

~~"trade correction procedures~~ ——— The" means the procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures.

~~"Trading Platform Particulars~~ ——— The" means the orders or other trade particulars submitted in respect of the sale or purchase of EquityClear Eligible Equities or EquityClear Eligible ccCFD(s), to an ATP in accordance with the relevant ATP Market Rules by, or on behalf of, an EquityClear Clearing Member ~~(including, where relevant, submission of such orders or other trade particulars by or on behalf of an EquityClear NCM on behalf of the relevant EquityClear Clearing Member pursuant to, and in accordance with, the relevant Approved EquityClear Clearing Agreement between them and the relevant ATP Market Rules)~~ or, in the case of an EquityClear Mixed Member Match, by, or on behalf of a member of a relevant Co-operating Clearing House.

~~Treasury Contract~~ ——— Means "Trading System" means the Nodal Trading Facility, [the HKMEx Trading System,] FEX Trading Facility or the NLX Trading Facility (as applicable)

"Treasury Account" means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member

"Treasury Contract" means any contract, including a contract of deposit, entered into by the Clearing House with that Member for purposes of, in connection with or otherwise in the course of its treasury management activities.

~~Treasury Account~~ ——— ~~Means any accounting process under which an amount due under a Treasury Contract from a member to the Clearing House is set off against any amount due from the Clearing House to that Member.~~

"Turquoise Clearing Client" means, in respect of Turquoise Client Clearing Business, an Individual Segregated Account Clearing Client or an Omnibus Segregated Clearing Client

"Turquoise Clearing House Business" means Turquoise Derivatives Cleared Exchange Contracts entered into by a Turquoise Derivatives Clearing Member with the Clearing House on a proprietary basis and for its own account

"Turquoise Client Clearing Business" means the provision of Turquoise Client Clearing Services by a Turquoise Derivatives Clearing Member

"Turquoise Client Clearing Services" means the entering into of Turquoise Derivatives Cleared Exchange Contracts by a Turquoise Derivatives Clearing Member in respect of its Individual Segregated Account ~~—~~ ~~A~~ Clearing Clients and/or its Omnibus Segregated Clearing Clients

"Turquoise Derivatives Account" means an account maintained in the name of TGHL ~~-~~ by the Clearing House pursuant to Regulation 510 in which Turquoise Derivatives Cleared Exchange Contracts may be registered pursuant to Regulation ~~75, 80~~77 or in such other circumstances as may be agreed between TGHL ~~-~~ and the Clearing House from time to time ~~-~~.

"Turquoise Derivatives Cleared Exchange Contract ~~—~~ ~~A~~" means a Contract entered into by the Clearing House in accordance with the Turquoise Derivatives Regulations ~~-~~.

"Turquoise Derivatives Clearing Member" means a Member authorised by the Clearing House to participate in the Turquoise Derivatives Service

"Turquoise Derivatives Contract Specification ~~—~~ ~~In~~" means in respect of a Turquoise Derivatives Eligible Product, the relevant contract specification set out in the Turquoise Derivatives Rules.

"Turquoise Derivatives Eligible Product ~~—~~ ~~A~~" means a product traded under the ~~R~~rules of the London Stock Exchange Derivatives Market which TGHL ~~-~~ has agreed from time to time with the Clearing House is to be cleared by the Clearing House pursuant to these Regulations ~~-~~.

~~Turquoise Derivatives Non-Clearing Member (Turquoise Derivatives NCM) ~~—~~ ~~A~~ member of TGHL who is not a Member and is party to a subsisting Turquoise Derivatives NCM-GCM Agreement.~~

"Turquoise Derivatives Orderbook ~~—~~ ~~The~~" means the electronic orderbook operated by TGHL for the trading of Turquoise Derivatives Eligible Products ~~-~~.

"Turquoise Derivatives Orderbook Match or Orderbook Match ~~—~~ ~~A~~" means a match made on the Turquoise Derivatives Orderbook of two sets of Turquoise Derivatives Trade Particulars submitted by or on behalf of two Members [or a match made on the Combined Turquoise Derivatives Orderbook of two sets of Turquoise Derivatives Trade Particulars submitted by or on behalf of a Member and a Linked Member ~~-~~].

"Turquoise Derivatives OTC Trade" means an OTC trade reported to TGHL in accordance with its Rules for its OTC Service

"Turquoise Derivatives Platform" means TGHL in its capacity as a multilateral trading facility

"Turquoise Derivatives Regulations ~~—~~ ~~The~~" means those Regulations set out in which apply to Turquoise Derivatives Eligible Products as specified in Regulation 76

"Turquoise Derivatives Rules" means the rules, practices, procedures, trading protocols and arrangements of the Turquoise Derivatives Platform as may be prescribed from time to time relating to Turquoise Derivatives Eligible Products

"Turquoise Derivatives Service" the service provided by the Clearing House under the Turquoise Derivatives Regulations ~~74 to 87 inclusive.~~

"Turquoise Derivatives Trade Particulars" ~~—~~ M means the trade particulars of an order submitted to the Turquoise Derivatives Orderbook by or on behalf of a Member [or, in the case of a Member which is a Co operating Clearing House, submitted to the Combined Turquoise Derivatives Orderbook by or on behalf of a relevant Linked Member].

~~Turquoise Derivatives OTC Trade — An OTC trade reported to TGHL London in accordance with its Rules for its OTC Service.~~

"Turquoise Derivatives Transactions" ~~—~~ A means an Orderbook Match, Turquoise Derivatives OTC Trade, [.] and Reported Trade, [Cross-Border Re-registration and a Cross-Border Transfer].

"Unallocated Excess" ~~—~~ H has the meaning assigned to it in the FCM Regulations.

"Unallocated Excess Sub-Account" ~~—~~ H has the meaning assigned to it in the FCM Regulations.

"Undertaking to Pay or Deliver" has the meaning ascribed to such term in Regulation 11(c)

"Unfunded Contribution" means the unfunded Contribution of a Clearing Member referable to a specific Service provided by the Clearing House

"US Trading Venue" ~~—~~ A means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, a US Trading Venue need not be an Approved Trade Source System.

"US Trading Venue Transaction" ~~—~~ I means, in respect of a Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant US Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an Eligible US Trading Venue in respect of such Clearing Member.

"variation margin" ~~—~~ A means an amount determined by the Clearing House in accordance with the Procedures in respect of original contracts or open contracts (as the case may be).

**LCH.Clearnet Rule Submission**

**Exhibit 8**

**Black-line of Product Specific Contract Terms and Eligibility Criteria Manual**



**CONTENTS**

**PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA**  
**MANUAL**

## CONTENTS

Page

SCHEDULE TO THE REPOCLEAR REGULATIONS	2
PART A. REPOCLEAR CONTRACT TERMS: REPOCLEAR CONTRACTS ARISING FROM REPOCLEAR TRANSACTIONS, REPO TRADES OR BOND TRADES	2
PART B. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A REPOCLEAR CONTRACT	8
PART C. LCH GC REPO CONTRACT TERMS	17
PART D. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A LCH GC REPO CONTRACT	18
PART E. REPOCLEAR SGC CONTRACT TERMS: REPOCLEAR SGC CONTRACTS ARISING FROM REPOCLEAR SGC TRANSACTIONS OR SGC TRADES	19
PART F. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A REPOCLEAR SGC CONTRACT	25
PART G. REPOCLEAR GC CONTRACT TERMS: REPOCLEAR €GC CONTRACTS ARISING FROM REPOCLEAR €GC TRANSACTIONS OR €GC TRADES	27
PART H. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A REPOCLEAR €GC CONTRACT	34
SCHEDULE TO THE SWAPCLEAR REGULATIONS	39
PART A. SWAPCLEAR CONTRACT TERMS	39
PART B. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A SWAPCLEAR CONTRACT	48
SCHEDULE TO THE EQUITYCLEAR REGULATIONS	61
PART A. EQUITYCLEAR (EQUITIES) CONTRACT TERMS	61
PART B. EQUITYCLEAR ELIGIBLE (EQUITIES)	63
PART C. EQUITYCLEAR (CCCFD) CONTRACT TERMS	64
SCHEDULE TO THE LCH ENGCLEAR OTC REGULATIONS	68
PART A. LCH ENGCLEAR OTC CONTRACT TERMS	68
PART B. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A LCH ENGCLEAR OTC CONTRACT	105
SCHEDULE TO THE Turquoise Derivatives REGULATIONS	118
PART A. TURQUOISE DERIVATIVES CLEARED EXCHANGE CONTRACT TERMS ARISING FROM TURQUOISE DERIVATIVES OTC TRADES	118
PART B. PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN TURQUOISE DERIVATIVES OTC TRADE	122
SCHEDULE TO THE FOREXCLEAR REGULATIONS	124
PART A. FOREXCLEAR CONTRACT TERMS	124

<del>PART B PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A FOREXCLEAR CONTRACT</del> .....	<del>129</del>
<u>SCHEDULE 1 REPOCLEAR</u> .....	<u>1</u>
<u>Part A Repoclear Contract Terms: Repoclear Contracts arising from Repoclear Transactions, Repo Trades or Bond Trades</u> .....	<u>1</u>
<u>Part B Product Eligibility Criteria for Registration of a RepoClear Contract</u> .....	<u>8</u>
<u>Part C LCH GC Repo Contract Terms</u> .....	<u>20</u>
<u>Part D Product Eligibility Criteria for Registration of a LCH GC Repo Contract</u> .....	<u>21</u>
<u>Part E RepoClear SGC Contract Terms: RepoClear SGC Contracts arising from RepoClear SGC Transactions or SGC Trades</u> .....	<u>22</u>
<u>Part F Product Eligibility Criteria for Registration of a RepoClear SGC Contract</u> .....	<u>29</u>
<u>Part G RepoClear GC Contract Terms: RepoClear €GC Contracts arising from RepoClear €GC Transactions or €GC Trades</u> .....	<u>31</u>
<u>Part H Product Eligibility Criteria for Registration of a RepoClear €GC Contract</u> .....	<u>38</u>
<u>SCHEDULE 2 SWAPCLEAR</u> .....	<u>44</u>
<u>Part A Swapclear Contract Terms</u> .....	<u>44</u>
<u>Part B Product Eligibility Criteria for Registration of a SwapClear Contract</u> .....	<u>58</u>
<u>SCHEDULE 3 EQUITYCLEAR</u> .....	<u>70</u>
<u>Part A EquityClear (Equities) Contract Terms</u> .....	<u>70</u>
<u>Part B EquityClear Eligible (Equities)</u> .....	<u>72</u>
<u>Part C EquityClear (ccCFD) Contract Terms</u> .....	<u>73</u>
<u>SCHEDULE 4 LCH ENCLEAR OTC</u> .....	<u>78</u>
<u>Part A LCH Enclear OTC Contract Terms</u> .....	<u>78</u>
<u>Part B Product Eligibility Criteria for Registration of a LCH EnClear OTC Contract</u> .....	<u>116</u>
<u>SCHEDULE 5 TURQUOISE DERIVATIVES</u> .....	<u>127</u>
<u>Part A Turquoise Derivatives Cleared Exchange Contract Terms arising from Turquoise Derivatives OTC Trades</u> .....	<u>127</u>
<u>Part B Product Eligibility Criteria for Registration of an Turquoise Derivatives OTC Trade</u> .....	<u>132</u>
<u>SCHEDULE 6 THE FOREXCLEAR REGULATIONS</u> .....	<u>134</u>
<u>Part A ForexClear Contract Terms</u> .....	<u>134</u>
<u>Part B Registration of a ForexClear Contract - Product Eligibility Criteria</u> .....	<u>140</u>

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part A**

RepoClear

**SCHEDULE 1**  
**REPOCLEAR**

**PART A**

**REPOCLEAR CONTRACT TERMS: REPOCLEAR CONTRACTS ARISING FROM REPOCLEAR TRANSACTIONS, REPO TRADES OR BOND TRADES**

Where a RepoClear Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear Contract shall include these RepoClear Contract Terms, which shall comprise:

- (1) Economic Terms;
- (2) Standard Terms; and
- (3) Interpretation section.

**Interpretation Section**

Save as otherwise specified herein, words and phrases defined elsewhere in the General Regulations, Procedures and Default Rules of the Clearing House (together, and as amended from time to time, the "Regulations") shall have the same meanings in these RepoClear Contract Terms.

In the event of any inconsistency between these RepoClear Contract Terms and the Regulations, the Regulations will prevail, unless expressly otherwise specified.

As used in these RepoClear Contract Terms:

"Equivalent Securities" means securities equivalent to Purchased Securities. If and to the extent that such Purchased Securities have been redeemed, the expression shall mean a sum of money equivalent to the proceeds of redemption.

Securities are "equivalent to" other securities for the purposes of these RepoClear Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.

"Income" means, with respect to any Purchased Securities at any time, all interest, dividends or other distributions thereon (~~"Distributions"~~).

"Income Payment Date" means, with respect to any Purchased Securities, the date on which Income is paid in respect of such Purchased Securities, or in the case of registered Purchased Securities, the date by reference to which particular registered holders are identified as being entitled to payment of Income.

"Price Differential" means, with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation ~~5516~~, or from a Repo Trade in accordance with the provisions of ~~Regulation 56 or Regulation 56A63~~, the aggregate amount obtained by daily application of the Pricing Rate to the Purchase Price (on a day basis in accordance with the RepoClear Procedures) for the actual number of days during the period commencing on (and including) the Purchase Date and ending on (but excluding) the date of calculation or, if earlier, the Repurchase Date.

"Pricing Rate" means the per annum percentage rate used in the calculation of the Price Differential, which in turn, is used to calculate the Repurchase Price.

"Purchase Date" means the date on which the Purchased Securities will be sold by Seller to Buyer.

"Purchased Securities" means the underlying securities to be sold by Seller to Buyer on the Purchase Date.

"Purchase Price" means the cash amount payable by Buyer to Seller for the Purchased Securities.

"RepoClear Contract" means a contract between Buyer and Seller on the basis of the Standard Terms and the Economic Terms, and references to "this RepoClear Contract" are to the particular RepoClear Contract in question.

"RepoClear Procedures" means the part of the Procedures of the Clearing House that contains provisions in respect of RepoClear Contracts.

"Repurchase Date" means, with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 5516 or from a Repo Trade in accordance with the provisions of Regulation ~~56~~ or Regulation 56A63, the date on which Equivalent Securities will be sold by Buyer to Seller.

"Repurchase Price" with regard to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 5516, or from a Repo Trade in accordance with the provisions of Regulation ~~56~~ or Regulation 56A63, means, as of any date, the sum of the Purchase Price and the Price Differential as of such date.

"Term" means, with respect to this RepoClear Contract if it has arisen from a RepoClear Repo Transaction in accordance with Regulation ~~55, or from a Repo Trade in accordance with the provisions of Regulations 56 or Regulation 56A63~~, the interval of time commencing with the Purchase Date and ending with the Repurchase Date.

#### • 1. Economic Terms

In relation to this RepoClear Contract, the terms in ~~(a)(a)~~ to ~~(g) below~~ (g) below (the "Economic Terms") will: (i) where this RepoClear Contract is dealt with through an automated trade capture system, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.

The Economic Terms comprise details of:

- (a) Buyer;
- (b) Seller;
- (c) Pricing Rate;

- (d) Purchase Date;
- (e) Purchase Price;
- (f) Purchased Securities; and
- (g) Repurchase Date.

**PROVIDED, however, that**, when such information presented or input (as the case may be) by any RepoClear Participant specifies such RepoClear Participant as: (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear Contract.

## • 2. **Standard Terms**

### ~~2.1.~~ 2.1 **General**

- (a) On the Purchase Date, Seller shall transfer the Purchased Securities to Buyer against payment of the Purchase Price by Buyer.
- (b) If this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation 55 or from a Repo Trade in accordance with the provisions of Regulation 56 or Regulation 56A, then on the Repurchase Date, Buyer shall transfer to Seller Equivalent Securities against the payment of the Repurchase Price by Seller.
- (c) Notwithstanding the use of expressions such as "margin," and, if this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with Regulation ~~55~~16 or from a Repo Trade in accordance with the provisions of Regulation ~~56 or Regulations 56A~~63, the use of expressions such as "Repurchase date," "Repurchase Price" and "substitution," which are used to reflect terminology used in the market for transactions of the kinds provided for in these Standard Terms, all right, title and interest in and to Purchased Securities and money transferred or paid under these Standard Terms and, if this RepoClear Contract has arisen from a Repo Trade all right, title and interest in Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Purchased Securities if this RepoClear Contract has arisen from a Repo Trade shall be an obligation to transfer Equivalent Securities.
- (d) Subject to the Default Rules, any Purchase Price, Repurchase Price and amounts in respect of Income Payment Dates (if applicable) in the same currency payable by either party to the other under this RepoClear Contract and any other RepoClear Contract on the same date shall be combined in a single calculation of a net sum payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.
- (e) Subject to the Default Rules, all securities of the same issue, denomination, currency and series, transferable by either party to the other under this RepoClear Contract and any other RepoClear Contract on the same date, whether this or any such other RepoClear Contract has arisen from a RepoClear Repo Transaction or from a

RepoClear Bond Transaction in accordance with the provisions of Regulation ~~55~~16, or from a Repo Trade or a Bond Trade in accordance with the provisions of Regulation ~~56~~63 or Regulation 56A, shall be combined in a single calculation of a net quantity of securities transferable by one party to the other and the obligation to transfer the net quantity of securities shall be the only obligation of either party in respect of the securities so transferable and receivable.

#### 2.2.2.2 *Margin Maintenance*

The provisions set out in the General Regulations and the Procedures in relation to margin and ~~Collateral in respect of cover for~~ margin ~~obligations~~ shall be applicable to this RepoClear Contract. Any ~~Collateral transferred~~cover in respect of a variation margin ~~obligations~~liability will be in the form of cash only.

#### 2.3.2.3 *Income Payments*

If this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation ~~55~~16 or from a Repo Trade in accordance with the provisions of Regulation ~~56 or Regulation 56A~~63, where the Term of this RepoClear Contract extends over any Income Payment Date in respect of any Purchased Securities subject to this RepoClear Contract, Buyer shall make payment of such amounts in respect of such Income Payment Date in accordance with the RepoClear Procedures.

#### 2.4.2.4 *Payment and Transfer*

- (a) Each of the following insofar as it is applicable to this RepoClear Contract shall be paid or transferred, as the case may be, in accordance with the provisions set out in the RepoClear Procedures: the Purchase Price, the Repurchase Price, the Purchased Securities, the Equivalent Securities.
- (b) In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and/or to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agree that it shall remain liable under this RepoClear Contract as principal.
- (c) The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities, and if this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with the provisions of Regulation ~~55~~16 or from a Repo Trade in accordance with the provisions of Regulation ~~56 or Regulation 56A~~61, in any Equivalent Securities, shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.

#### 2.5.2.5 *Withholding Tax Provisions*

- (a) All money payable by the RepoClear Clearing Member to the Clearing House in respect of this RepoClear Contract shall be paid free and clear of any deduction. Where however, a RepoClear Clearing Member is required by any applicable law or any taxation authority properly acting within the scope of its authority or power, to withhold or deduct any tax or duty from any payment due in respect of this



RepoClear Contract, the RepoClear Clearing Member shall be entitled to withhold or deduct such tax or duty, and shall pay to the Clearing House such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by the Clearing House had no such taxes or duties been required to be withheld or deducted.

- (b) All money payable by the Clearing House to the RepoClear Clearing Member in respect of this RepoClear Contract shall be paid free and clear of any deduction. Where however, the Clearing House is required by any applicable law or any taxation authority properly acting within the scope of its authority or power, to withhold or deduct any tax or duty from any payment due in respect of this RepoClear Contract, the Clearing House shall be entitled to withhold or deduct such tax or duty. In such event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted, PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover and does recover the amount payable by it from another RepoClear Clearing Member in respect of any related RepoClear Contract.

#### 2.6.2.6 *Substitution*

- (a) This RepoClear Contract may be varied by the transfer by Buyer to Seller of securities equivalent to the Purchased Securities in exchange for the transfer by Seller to Buyer of other securities, in accordance with the provisions of the RepoClear Procedures.
- (b) Notwithstanding the provisions of the RepoClear Procedures, where this RepoClear Contract has arisen from a RepoClear Repo Transaction in accordance with Regulation 5516 or from a Repo Trade in accordance with the provisions of Regulation ~~56~~ or Regulation 56A63, and the Repurchase Date is not the Business Day immediately following the Purchase Date, Seller shall have the right (subject to the proviso to this paragraph ~~2.6(b)(a)(b)~~) by notice to Buyer (such notice to be given in accordance with the RepoClear Procedures) to vary this RepoClear Contract in accordance with the provisions of the RepoClear Procedures; **provided, however, that** Buyer may elect by close of business on the Business Day on which such notice is received (or by close of business on the next Business Day if notice is received after the time specified in the RepoClear Procedures for the giving of such notice) not to vary this RepoClear Contract. If Buyer elects not to vary this RepoClear Contract, Seller shall have the right, by notice to Buyer, to terminate this RepoClear Contract on the Business Day specified in that notice, such Business Day not to be later than two Business Days after the date of the notice.
- (c) Notwithstanding the provisions of the Default Rules, where the RepoClear Clearing Member is Seller and the Clearing House is Buyer in respect of this RepoClear Contract and the RepoClear Clearing Member exercises its right to vary this RepoClear Contract or to terminate this RepoClear Contract under

paragraph ~~2.6(b)(a)(b)~~, the RepoClear Clearing Member shall be required to pay to the Clearing House by close of business on the Business Day of such variation or termination an amount equal to such amount that the Clearing House determines, in its sole and absolute discretion, that is payable in respect of any related RepoClear Contract by the Clearing House (in its capacity as Seller in respect of such related RepoClear Contract) to a RepoClear Clearing Member in respect of such related RepoClear Contract (in its capacity as Buyer in respect of such related RepoClear Contract).

- ~~(d)~~ Notwithstanding the provisions of the Default Rules, where the Clearing House is Seller and the RepoClear Clearing Member is Buyer in respect of this RepoClear Contract and the Clearing House exercises its right to vary this RepoClear Contract or to terminate this RepoClear Contract under paragraph ~~2.6(b)(a)(b)~~, the Clearing House shall be required to pay to the RepoClear Clearing Member by close of business on the Business Day of such variation or termination an amount equal to:
  - ~~(i)~~ the RepoClear Clearing Member's actual cost (including all fees, expenses and commissions) of (aa) entering into replacement transactions; (bb) entering into or terminating hedge transactions; and (cc) terminating or varying transactions with third parties in connection with or as a result of such variation or termination; and
  - ~~(ii)~~ to the extent that the RepoClear Clearing Member does not enter into replacement transactions, the loss incurred by the RepoClear Clearing Member directly arising or resulting from such variation or termination,

in each case as determined and calculated in good faith by the RepoClear Clearing Member; ~~PROVIDED~~ **provided**, however, that the Clearing House shall only be required to pay such amount to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear Contract.

### ~~2.7.2.7~~ **Regulations**

This RepoClear Contract shall be subject to the Regulations, which shall form a part of its terms.

### ~~2.8.2.8~~ **"When Issued" Securities**

Where the subject matter of this RepoClear Contract is RepoClear Eligible Securities which have not yet been issued at the time this contract comes into being, in the event that such securities are not issued by the issuer this RepoClear Contract shall be null and void *ab initio*, and the only liability shall be that of the Clearing House to return to the RepoClear Clearing Member of any margin held by it, subject to compliance by the RepoClear Clearing Member with all the requirements of these Regulations and Procedures in respect of such RepoClear Contract.

### ~~2.9.2.9~~ **Governing Law**

This RepoClear Contract shall be governed by, and construed in accordance with, English law and the parties hereby submit to the jurisdiction of the English courts.

~~2.10~~2.10 ***Third Party Rights***

A person who is not a party to this RepoClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this RepoClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part B**

**PART B**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A REPOCLEAR CONTRACT**

1. **Eligibility Criteria**

1.1 Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear Transaction, Repo Trade or a Bond Trade as a RepoClear Contract pursuant to receipt of details of such RepoClear Transaction, Repo Trade or Bond Trade where at the time the details are presented:

- (a) subject to 1.2-~~below~~, below, such RepoClear Transaction, Repo Trade or Bond Trade meets the Eligibility Criteria set out for in 2.1 and 2.2 or 3.1 and 3.2-~~below~~ below (as the case may be), and the securities appear in the list published for this purpose from time to time by the Clearing House; and
- (b) the details of such RepoClear Transaction, Repo Trade or Bond Trade are submitted for registration in accordance with the Regulations, the Procedures and all such other requirements from time to time of the Clearing House; and
- (c) the parties to such RepoClear Transaction, Repo Trade or Bond Trade are RepoClear Participants,

and the requirements of ~~(a) to (e)~~ (a) to (c) inclusive continue to be satisfied at Registration Time.

1.2 German Government Debt Securities made available for trading on day of auction:

~~4.2.4~~ 1.2.1 Where a RepoClear Transaction, Repo Trade or Bond Trade is a trade of RepoClear Eligible Securities which are to be auctioned by the German Government, and the trade is submitted from an Approved Trade Matching System, or Automated Trading System (as referred to in Regulation ~~56 or Regulation 56A~~ 63), on the day on which such securities are to be auctioned, then the Clearing House shall register such trade ~~PROVIDING THAT~~ providing that the requirements of 1.1-~~above~~ above are satisfied and the German Government proceeds to issue such securities; in the event that the German Government decides, on the basis of the auction, not to proceed to issue the securities;

~~4.2.4.4~~ 1.2.1.1 any such RepoClear Transaction, shall be deemed to be null and void and the Clearing House will reject it. In such circumstances, no RepoClear Contracts will arise with the Clearing House; and

~~4.2.4.2~~ 1.2.1.2 any RepoClear Contract already registered by the Clearing House, whether arising from a RepoClear Transaction or a Repo Trade or Bond Trade, shall be deemed to be void *ab initio*.

~~4.2.2~~ 1.2.2 The first valid settlement day for a RepoClear Transaction, Repo Trade or Bond Trade referred to in ~~4.2.4 above~~ 1.2.1 above shall be trade day plus two days (T+2).

1.3 United Kingdom Government Debt Securities made available for trading prior to issue date:

~~4.3.4~~ 1.3.1 Where a RepoClear Transaction, Repo Trade or Bond Trade is a trade of RepoClear Eligible Securities which are to be issued by the United Kingdom Government, and the trade is submitted from an Approved Trade Matching System, or Automated Trading System (as referred to in Regulation ~~56 or Regulation 56A~~ 63), on a day prior to the day on which such securities are to be issued, then the Clearing House shall register such trade ~~PROVIDING THAT~~ provided that the requirements of 1.1-~~above~~ above are satisfied and the United Kingdom Government proceeds to issue such securities; in the event that the United Kingdom Government decides not to proceed to issue the securities:

~~4.3.2~~ 1.3.2 any such RepoClear Transaction shall be deemed to be null and void and the Clearing House will reject it. In such circumstances, no RepoClear Contracts will arise with the Clearing House; and

~~4.3.2.1~~ 1.3.2.1 any RepoClear Contract already registered by the Clearing House, whether arising from a RepoClear Transaction or a Repo Trade or Bond Trade, shall be deemed to be void *ab initio*.

~~4.3.3~~ 1.3.3 The first valid settlement date for a RepoClear Transaction, Repo Trade or Bond Trade referred to in ~~1.3.1 above,~~ 1.3.1 above, shall be issue date plus one day (T+1).

1.4 Where the Clearing House rejects any RepoClear Transaction in the circumstances set out in 1.2 or 1.3-~~above,~~ above, the Clearing House (and each other member of the LCH.Clearnet Group and their respective officers, employees and agents) shall have no liability, and where a RepoClear Contract is deemed void *ab initio* in such circumstances, the only liability shall be that of the Clearing House to return to the relevant RepoClear Clearing Member/s of any margin held by it, subject to compliance by the relevant RepoClear Clearing Members with all the requirements of these Regulations and Procedures in respect of such RepoClear Contract.

1.5 For the purposes of this Part B of the Schedule to the RepoClear Regulations, **“RepoClear Operating Day”** means any RepoClear Opening Day (see Section 2B.2-~~1~~) and is also a day when all Approved Depository Systems (as defined in section 2B of the RepoClear Procedures) for the category of the securities are operational for the completion of transfer of those Securities.

2. **Repo Trades and RepoClear Repo Transactions**

2.1 ***Product Eligibility Criteria for a Repo Trade or RepoClear Repo Transaction***

<b>Deal Types</b>	Classic repo/reverse repo
<b>Collateral Types</b>	Specifically named collateral
<b>Structure</b>	Fixed rate repo; Fixed term repo
<b>Eligible Securities</b>	German Government Debt US Dollar United Kingdom Securities (see 2.2.1 below) International Government Belgian Government Debt Debt Securities

	Securities (see <del>2.2.1</del> below)	Bonds	(see 2.2.1 below)
	Austrian Government Debt Securities (see <del>2.2.1 below</del> ) <a href="#">2.2.1 below</a>		
	Dutch Government Debt Securities (see <del>2.2.1 below</del> ) <a href="#">2.2.1 below</a>		
	Irish Government Debt Securities (see <del>2.2.1 below</del> ) <a href="#">2.2.1 below</a>		
	Finnish Government Debt Securities (see <del>2.2.1 below</del> ) <a href="#">2.2.1 below</a>		
	Portuguese Government Debt Securities (see <del>2.2.1 below</del> ) <a href="#">2.2.1 below</a>		
	Spanish Government Debt Securities (see <del>2.2.1 below</del> ) <a href="#">2.2.1 below</a>		
	German Jumbo Pfandbrief Bonds (see <del>2.2.2 below</del> ) <a href="#">2.2.2 below</a>		
	International Bonds denominated in Euro (see <del>2.2.2 below</del> ) <a href="#">2.2.2 below</a>		
<b>Currency</b>	Euro	US Dollar	Sterling
<b>Delivery Depositories</b>	Euroclear; Luxembourg Clearstream Frankfurt (CBF) (including all cross-border combinations); National Bank of Belgium (via our agent, KBC Brussels)	Clearstream (CBL); Clearstream Luxembourg (CBL); (including all cross-border combinations)	Euroclear UK and Ireland
<b>Term</b>			
<b>Minimum Opening Leg</b>	Date of registration by the Clearing House	Date of registration by the Clearing House plus 1 RepoClear	Date of registration by the Clearing House

		Operating Day
<b>Maximum Opening Leg</b>	Any valid settlement day up to 374 days from the trade date subject to the restrictions with respect to the Closing Leg	Any valid settlement day up to 374 days from the trade date subject to the restrictions with respect to the Closing Leg
<b>Minimum Closing Leg</b>	Settlement Date of Opening Leg plus 1 RepoClear Operating Day	
<b>Maximum Closing Leg</b>	Any valid settlement day which is 1 to 374 days later than the opening leg and is no later than bond maturity date minus 2 RepoClear Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.	Any valid settlement day which is 1 to 374 days later than the opening leg and is no later than bond maturity date minus 2 RepoClear Operating Days. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375 days.

2.2 **Eligible Securities for a Repo Trade or RepoClear Repo Transaction**

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

~~2.2.4~~ 2.2.1 *Government Debt Securities*

<b>Germany</b>	
-	<a href="#">●</a> Treasury Bills (Bubills)
-	<a href="#">●</a> Schatzanweisungen der Bundesrepublik Deutschland (Schatz)
-	<a href="#">●</a> Schatzanweisungen der Bundesrepublik Deutschland <del>-</del> Fonds



<b>Germany</b>	
	<u>“Deutsche Einheit”</u>
-	<u>•</u> German Unity Fund BKO
-	<u>•</u> Anleihen der Bundesrepublik Deutschland (Bunds)
-	<u>•</u> Anleihen der Bundesrepublik Deutschland -- Fonds <u>“Deutsche Einheit”</u> (German Unity Fund)
-	<u>•</u> Anleihen der Bundesrepublik Deutschland (Bund Principal Strips)
-	<u>•</u> Anleihen der Bundesrepublik Deutschland (Bund Coupon Strips)
-	<u>•</u> Obligationen der Bundesrepublik Deutschland (Bobl)
-	<u>•</u> Anleihen der Treuhandstalt
-	<u>•</u> Obligationen der Treuhandstalt (Tobl)

<b>Belgium</b>	
-	<u>•</u> Fixed-coupon linear-bonds (OLOs)
-	<u>•</u> Principal strips
-	<u>•</u> Coupon strips
-	<u>•</u> Belgian Treasury Certificates

<b>Austria</b>	
-	<u>•</u> Austrian Government Bonds

<b>Netherlands</b>	
-	<u>•</u> Dutch Government Bonds (also known as Dutch State Loans)
-	<u>•</u> Dutch Treasury Certificates

<b>Ireland</b>	
-	<u>•</u> Irish Government Bonds

**Finland**

- [•](#) Finnish Government Bonds

**Portugal**

- [•](#) Portuguese Government Bonds

**Spain**

- [•](#) Spanish Government Bonds

**United Kingdom**

- [•](#) United Kingdom Government Bonds and Treasury Bills

**2.2.2** [2.2.2](#) *Other Bonds***German Jumbo Pfandbriefe****Issuers:**

- [•](#) Allgemeine Hypothekenbank
- [•](#) Bayerische Hypo- und Vereinsbank AG
- [•](#) Bayerische Landesbank Girozentrale
- [•](#) Berlin- Hannover Hypothekenbank
- [•](#) DekaBank
- [•](#) Depfa Bank
- [•](#) Deutsche Genossenschafts- Hypothekenbank
- [•](#) Deutsche Hypothekenbank Frankfurt AG
- [•](#) Deutsche Hypo- Deutsche Hypothekenbank Frankfurt- Hamburg AG
- [•](#) Dexia Hypothekenbank

**German Jumbo Pfandbriefe****Issuers:**

- Dusseldorfer Hypothekenbank
- Enrohypo AG Europaeische Hypothekenbank der Deutschen Bank
- Eurohypo Aktiengesellschaft
- Hypothekenbank IN Essen
- Hypo Real Estate Bank AG
- Landesbank Baden-Wuerttemberg
- Landesbank Berlin
- Landesbank Hessen-Thueringen
- Landesbank NRW
- Landesbank Rheiland-Pflaz-Girozentrale
- Landesbank Sachsen
- Munchener Hypothekenbank
- Norddeutsche Landesbank
- Rheinhyp
- Schleswig-Holsteinische
- SEB Hypothekenbank
- Westfaelische Hypothekenbank
- WestLB
- Wuerttembergische Hypothekenbank AG

***International Bonds (denominated in Euro or in US Dollar)***

- Agency Bonds
- Sovereign Bonds
- Supranational Bonds

The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 2.1 and 2.2-~~above~~ above to be RepoClear Eligible Securities.

### 3. Bond Trades and RepoClear Bond Transactions

#### 3.1 *Product Eligibility Criteria for a Bond Trade or RepoClear Bond Transaction*

<b>Eligible Securities</b>	German Government Securities (see <del>3.2.1 below</del> )	Government Debt	US Dollar International Bonds	United Kingdom Government Bonds (see <del>3.2.1 below</del> )
	Belgian Government Securities (see <del>3.2.1 below</del> )	Government Debt		
	Austrian Government Securities (see <del>3.2.1 below</del> )	Government Debt		
	Dutch Government Securities (see <del>3.2.1 below</del> )	Government Debt		
	Irish Government Securities (see <del>3.2.1 below</del> )	Government Debt		
	Finnish Government Securities (see <del>3.2.1 below</del> )	Government Debt		
	German Jumbo Bonds (see <del>3.2.2 below</del> )	Pfandbrief		
	Portuguese Government Securities (see <del>3.2.2 below</del> )	Government Debt		
	Spanish Government Securities (see <del>3.2.1 below</del> )	Government Debt		
	International Bonds denominated in Euro (see <del>3.2.2 below</del> )			

Please see LCH.Clearnet Limited website for full details of all bonds eligible from time to time

<b>Currency</b>	Euro	US Dollar	Sterling
<b>Delivery Depositories</b>	Euroclear; Clearstream Luxembourg (CBL); Clearstream Frankfurt (CBF) (including all cross-border combinations); National Bank of Belgium (via our agent, KBC Brussels)	Euroclear; Clearstream Luxembourg (CBL); (including all cross-border combinations)	Euroclear UK and Ireland
<b>Minimum Settlement Date</b>	Date of registration by the Clearing House	Date of registration by the Clearing House plus 1 RepoClear Operating Day	Date of registration by the Clearing House
<b>Maximum Settlement Date</b>	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 2 RepoClear Operating Days.	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 2 RepoClear Operating Days.	Any valid settlement day up to 385 days from the date of registration by the Clearing House and being no later than bond maturity date minus 9 RepoClear Operating Days or Treasury Bill maturity date minus 1 RepoClear Operating d

3.2 **Eligible Securities for a Bond Trade or RepoClear Bond Transaction**

The following tables set out a description of the types of bonds which are usually eligible for registration by the Clearing House. A definitive list containing details of all bonds which are RepoClear Eligible Securities is published from time to time by the Clearing House.

**3.2.1** 3.2.1 *Government Debt Securities*

<b>Germany</b>	
-	<u>•</u> Treasury Bills (Bubills)

<b>Germany</b>	
-	<u>•</u> <u>Schatzanweisungen der Bundesrepublik Deutschland (Schatz)</u>
-	<u>•</u> <u>Schatzanweisungen der Bundesrepublik Deutschland</u> <u>Fonds</u> <u>"Deutsche Einheit"</u>
-	<u>•</u> <u>German Unity Fund BKO</u>
-	<u>•</u> <u>Anleihen der Bundesrepublik Deutschland (Bunds)</u>
-	<u>•</u> <u>Anleihen der Bundesrepublik Deutschland</u> <u>Fonds</u> <u>"Deutsche Einheit"</u> <u>(German Unity Fund)</u>
-	<u>•</u> <u>Anleihen der Bundesrepublik Deutschland (Bund Principal Strips)</u>
-	<u>•</u> <u>Anleihen der Bundesrepublik Deutschland (Bund Coupon Strips)</u>
-	<u>•</u> <u>Obligationen der Bundesrepublik Deutschland (Bobl)</u>
-	<u>•</u> <u>Anleihen der Treuhandstalt</u>
-	<u>•</u> <u>Obligationen der Treuhandstalt (Tobl)</u>

<b>Belgium</b>	
-	<u>•</u> <u>Fixed-coupon linear-bonds (OLOs)</u>
-	<u>•</u> <u>Principal strips</u>
-	<u>•</u> <u>Coupon strips</u>
-	<u>•</u> <u>Belgian Treasury Certificates</u>

<b>Austria</b>	
-	<u>•</u> <u>Austrian Government Bonds</u>

<b>Netherlands</b>	
-	<u>•</u> <u>Dutch Government Bonds (also known as Dutch State Loans)</u>
-	<u>•</u> <u>Dutch Treasury Certificates</u>

**Ireland**

- [•](#) Irish Government Bonds

**Finland**

- [•](#) Finnish Government Bonds

**Portugal**

- [•](#) Portuguese Government Bonds

**Spain**

- [•](#) Spanish Government Bonds

**United Kingdom**

- [•](#) United Kingdom Government Bonds and Treasury Bills

**3.2.2** 3.2.2 *Other Bonds***German Jumbo Pfandbriefe****Issuers:**

- [•](#) Allgemeine Hypothekenbank
- [•](#) Bayerische Hypo- und Vereinsbank AG
- [•](#) Bayerische Landesbank Girozentrale
- [•](#) Berlin- Hannover Hypothekenbank
- [•](#) DekaBank
- [•](#) Depfa Bank
- [•](#) Deutsche Genossenschafts- Hypothekenbank
- [•](#) Deutsche Hypothekenbank Frankfurt AG

**German Jumbo Pfandbriefe****Issuers:**

- Deutsche Hypo-Deutsche Hypothekenbank Frankfurt-Hamburg AG
- Dexia Hypothekenbank
- Dusseldorfer Hypothekenbank
- Enrohypo AG Europaeische Hypothekenbank der Deutschen Bank
- Eurohypo Aktiengesellschaft
- Hypothekenbank IN Essen
- Hypo Real Estate Bank AG
- Landesbank Baden-Wuerttemberg
- Landesbank Berlin
- Landesbank Hessen-Thueringen
- Landesbank NRW
- Landesbank Rheiland-Pflaz-Girozentrale
- Landesbank Sachsen
- Munchener Hypothekenbank
- Norddeutsche Landesbank
- Rheinhyp
- Schleswig-Holsteinische
- SEB Hypothekenbank
- Westfaelische Hypothekenbank
- WestLB
- Wuerttembergische Hypothekenbank AG

***International Bonds (denominated in Euro or in US Dollar)***

- Agency Bonds



***International Bonds (denominated in Euro or in US Dollar)***

- Sovereign Bonds
- Supranational Bonds

The Clearing House may, from time to time and at its sole discretion, refuse to register certain bonds which would otherwise meet the criteria set out in 3.1 and 3.2-~~above~~ above to be RepoClear Eligible Securities.

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part C**

**PART C**  
**LCH GC REPO CONTRACT TERMS**

PART C of the Schedule to the RepoClear Regulations has been deleted as the service offering for LCH GC Repo has been withdrawn for the time being.

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part D**

**PART D**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A LCH GC REPO  
CONTRACT**

PART D of the Schedule to the RepoClear Regulations has been deleted as the service offering for LCH GC Repo has been withdrawn for the time being.

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part E**

**PART E****REPOCLEAR SGC CONTRACT TERMS: REPOCLEAR SGC CONTRACTS ARISING FROM REPOCLEAR SGC TRANSACTIONS OR SGC TRADES**

Where a RepoClear SGC Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear SGC Contract shall include these REPOCLEAR SGC CONTRACT TERMS, which shall comprise:

- (1) Interpretation section;
- (2) Economic Terms; and
- (3) Standard Terms.

**Interpretation Section**

Save as otherwise specified herein, words and phrases defined elsewhere in this Rulebook shall have the same meanings in these RepoClear SGC Contract Terms.

In the event of any inconsistency between these RepoClear SGC Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

As used in these RepoClear SGC Contract Terms:

**“Closing Cash Amount”** means the cash amount identified in the Economic Terms as set out in paragraph 1 ~~below~~ below.

**“Daily Cash Amount”** means, on any SGC Day, the net cash amount payable by either party to the other, calculated under paragraph ~~2.5(e)~~ 2.4(c).

**“Daily Equivalent Securities”** means, on any day, the net securities transferable by either party to the other, calculated under paragraph ~~2.5(b)~~ 2.4(b).

**“Daily Purchased Securities”** means, on any SGC Day, the net securities transferable by either party to the other, calculated under paragraph ~~2.5(a)~~ 2.4(a).

**“Daily Return Amount”** means, on any SGC Day, the net cash amount payable by either party to the other, calculated under paragraph ~~2.5(d)~~ 2.4(d).

**“Eligible Securities”** means securities of any issue of securities comprised in a SGC Basket.

**“Eligible SGC Basket”** means an SGC Basket which appears in the list containing details of all Eligible SGC Baskets published for this purpose from time to time by the Clearing House.

**“Eligible SGC Trade”** means a RepoClear SGC Transaction or SGC Trade, as applicable.

**“End Date”** means the last day upon which Equivalent Securities will be delivered by the Buyer to the Seller in accordance with these RepoClear SGC Contract Terms, as stated in the Economic Terms.

**“Equivalent Securities”** means, on any day, securities equivalent to the Purchased Securities that were transferred by Seller to Buyer on the immediate preceding SGC Day.

Securities are **“equivalent to”** other securities for the purposes of these RepoClear SGC Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; and (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.

**“Interest”** means with regard to this RepoClear SGC Contract, the amount obtained by deducting the Opening Cash Amount from the Closing Cash Amount.

**“Last SGC Date”** means, with regard to this RepoClear SGC Contract, the last date upon which Purchased Securities will be sold by Seller to Buyer in accordance with these RepoClear SGC Contract Terms.

**“Opening Cash Amount”** means the cash amount identified in the Economic Terms as set out paragraph 1 ~~below~~. [below](#).

**“Purchased Securities”** means, on any SGC Day, Eligible Securities transferable by Seller to Buyer on that SGC Day under these RepoClear SGC Contract Terms.

**“RepoClear Procedures”** means the part of the Rulebook of the Clearing House that contains provisions in respect of RepoClear SGC Contracts.

**“RepoClear SGC Contract”** means a RepoClear SGC Contract between Buyer and Seller on the RepoClear SGC Contract Terms and references to **“this RepoClear SGC Contract”** are to the particular RepoClear SGC Contract in question.

**“Return Amount”** means a cash amount which is equivalent in value to, and in the same currency as, the Opening Cash Amount.

**“SGC Basket”** means the issues of securities published by the Clearing House from time to time in accordance with the RepoClear Procedures which, together, comprise a basket of securities.

**“SGC Cut-Off Time”** means such time on each SGC day as is set out in the RepoClear Procedures (as the time after which on that day no further Eligible SGC Trades will be accepted by the Clearing House for registration which are to be settled on the same SGC day).

**“SGC Day”** means any day of the Term on which the RepoClear SGC Service operates.

**“Start Date”** means the SGC Day being the first day upon which Purchased Securities will be sold by Seller to Buyer as stated in the Economic Terms and in accordance with these RepoClear SGC Contract Terms.

**“Term”** means the interval of time commencing on and including the Start Date and ending on and including the Last SGC Date.

**“Underlying SGC Basket”** means the SGC Basket identified in the Economic Terms of a RepoClear SGC Contract.



## 1. Economic Terms

In relation to this RepoClear SGC Contract, the terms in ~~(a)~~(a) to ~~(h)~~below(h) below (the ~~“Economic Terms”~~) will (i) where this RepoClear SGC Contract is dealt with through an Approved Trade Matching System, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear SGC Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.

The Economic Terms comprise details of:

- (a) Buyer;
- (b) Seller;
- (c) Underlying SGC Basket (identified by ISIN);
- (d) Trade date and time;
- (e) Start Date;
- (f) End Date;
- (g) Opening Cash Amount;
- (h) Closing Cash Amount;

**PROVIDED, however, that**, when such information presented or input (as the case may be) by any RepoClear Participants specifies such RepoClear Participant as (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear SGC Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear SGC Contract.

## 2. Standard Terms

- 2.1 RepoClear SGC Contracts shall arise in accordance with the Rulebook and shall be on these RepoClear SGC Contract Terms.

### *Allocation of Eligible Securities*

- 2.2 On each SGC Day of this RepoClear SGC Contract, Seller agrees that Purchased Securities shall be allocated from the Underlying SGC Basket in accordance with the terms of this RepoClear SGC Contract and the RepoClear Procedures. Purchased Securities may be allocated from more than one issue of securities in the Underlying SGC Basket. Following the application of paragraph 2.54, the value of Daily Purchased Securities to be allocated on any SGC Day shall be equal to the Daily Cash Amount (subject to any minor discrepancies in value attributable to allocation methodologies as contemplated within the RepoClear Procedures from time to time).

~~2.3 [ ]~~

**Transfer of Securities and Cash**

~~2.42.3~~ Subject to paragraph ~~2.5 below~~ ~~4: below~~:

- (a) on the Start Date and each subsequent SGC Day, Seller shall transfer Purchased Securities to Buyer against payment of the Opening Cash Amount by Buyer, in accordance with the RepoClear Procedures.
- (b) on the SGC Day immediately after the Start Date and on each subsequent SGC Day and also the End Date, Buyer shall transfer Equivalent Securities to Seller against payment of the Return Amount, in accordance with the RepoClear Procedures.

~~2.52.4~~ Subject to the Default Rules:

- (a) the value of Purchased Securities transferable by Seller to Buyer under this RepoClear SGC Contract on any SGC Day and the value of Purchased Securities transferable by either party to the other under any other open RepoClear SGC Contract relating to the same Underlying SGC Basket on the same day shall be combined into a single calculation of a net value of securities of that SGC Basket transferable by one party to the other and the obligation to transfer securities of that net value and of that SGC Basket (the ~~“Daily Purchased Securities”~~) through the CREST DBV System on that day shall be the only obligation of either party in respect of all Purchased Securities so transferable and receivable on that day;
- (b) the Equivalent Securities transferable by Buyer to Seller under this RepoClear SGC Contract on any day and the Equivalent Securities transferable by either party to the other under any other open RepoClear SGC Contract relating to the same Underlying SGC Basket on the same day shall be replaced by a single obligation by one party (the ~~“delivering party”~~) to transfer on that day to the other party (the ~~“receiving party”~~) through the CREST DBV System securities equivalent to the Daily Purchased Securities that were transferred on the previous SGC Day by the receiving party to the delivering party (the ~~“Daily Equivalent Securities”~~), and that obligation to transfer the Daily Equivalent Securities shall be the only obligation of either party in respect of all Equivalent Securities so transferable and receivable on that day;
- (c) the Opening Cash Amount transferable by Buyer to Seller under this RepoClear SGC Contract on any SGC Day and any Opening Cash Amount transferable by either party to the other under any other open RepoClear SGC Contract on the same day shall be combined in a single calculation of a net cash amount (~~the “Daily Cash Amount”~~) transferable by one party to the other and the obligation to transfer the Daily Cash Amount shall be the only obligation of either party in respect of all Opening Cash Amounts so transferable and receivable on that day;
- (d) the Return Amount transferable by Seller to Buyer under this RepoClear SGC Contract on any day and any Return Amount transferable by either party to the other under any other open RepoClear SGC Contract on the same day shall be replaced by a single net obligation by one party (the ~~“paying party”~~) to transfer to the other party (the ~~“receiving party”~~) on that day cash equivalent in amount to, and of the same currency as, the Daily Cash Amount that was transferred on the previous SGC Day by the receiving party to the paying party (~~the “Daily Return Amount”~~).

and that obligation to transfer the Daily Return Amount shall be the only obligation of either party in respect of all Return Amounts so transferable and receivable on that day;

~~PROVIDED ALWAYS THAT~~ Provided always that any obligation of a party to transfer any Daily Cash Amount shall not be combined with any obligation of a party to transfer any Daily Return Amount arising on the same day and payment of such Daily Cash Amount shall be made gross and separate from such Daily Return Amount in accordance with the RepoClear Procedures.

### *Terminology*

~~2.62.5~~ 2.62.5 Notwithstanding the use of expressions such as ~~"margin"~~, ~~"Equivalent Securities"~~, ~~"Opening Cash Amount"~~, ~~"Purchased Securities"~~, ~~"Daily Cash Amount"~~, ~~"Daily Return Amount"~~, ~~"Daily Purchased Securities"~~ and ~~"Daily Equivalent Securities"~~ which are used to reflect terminology used in the market for transactions of the kinds provided for in these RepoClear SGC Contract Terms, all right, title and interest in and to Daily Purchased Securities, Daily Cash Amount and Daily Return Amount transferred or paid under these RepoClear SGC Contract Terms and, all right, title and interest in Daily Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Daily Purchased Securities on any SGC Day shall be an obligation to transfer Daily Equivalent Securities on the next following day, at such time as is set out in the RepoClear Procedures.

### *Interest*

~~2.72.6~~ 2.72.6 Seller shall pay the Interest to Buyer on the End Date in accordance with these RepoClear SGC Contract Terms and the RepoClear Procedures.

~~2.82.7~~ 2.82.7 Subject to the Default Rules, Interest payable under this RepoClear SGC Contract and Interest payable by either party to the other under any other RepoClear SGC Contract with the same End Date shall be combined in a single calculation of a net cash amount payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.

### *Payment and Transfer*

~~2.92.8~~ 2.92.8 Each of the following insofar as it is applicable to this RepoClear SGC Contract, shall be paid or transferred in accordance with the provisions set out in the RepoClear Procedures: Daily Purchased Securities; Daily Equivalent Securities; Daily Cash Amount; Daily Return Amount; Interest.

~~2.402.9~~ 2.402.9 In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agrees that it shall remain liable under this RepoClear SGC Contract as principal.

~~2.412.10~~ 2.412.10 The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities, and in any Equivalent Securities, shall pass to the party to which transfer is being made upon transfer of

the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.

### 3. General

#### *Margin Maintenance*

- 3.1 The provisions set out in the General Regulations and the Procedures in relation to margin and ~~Collateral in respect of cover~~ for margin ~~obligations~~ shall be applicable to this RepoClear SGC Contract. Any ~~Collateral transferred cover~~ in respect of a variation margin ~~obligations~~liability will be in the form of cash only.

#### *Withholding Tax Provisions*

- 3.2 All money payable by a RepoClear Clearing Member to the Clearing House in respect of this RepoClear ~~SGC~~EGC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the RepoClear Clearing Member shall pay such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted.
- 3.3 All money payable by the Clearing House to a RepoClear Clearing Member in respect of this RepoClear ~~SGC~~EGC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted; PROVIDED, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear ~~SGC~~EGC Contract.

#### *Regulations*

- 3.4 This RepoClear SGC Contract shall be subject to the Regulations, which shall form a part of its terms.

#### *Governing Law*

- 3.5 This RepoClear SGC Contract shall be governed by and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.

***Third Party Rights***

- 3.6 A person who is not a party to this RepoClear SGC Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of his RepoClear SGC Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part F**

**PART E**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A REPOCLEAR SGC CONTRACT**

**1. Eligibility Criteria**

Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear SGC Transaction or a SGC Trade as a RepoClear SGC Contract pursuant to receipt of details of such RepoClear SGC transaction or SGC Trade where at the time the details are presented:

- (a) RepoClear SGC Transaction or SGC Trade meets the Eligibility Criteria set out for in ~~2.1 and 2.2~~2.1 and 2.2 and the Underlying SGC Basket appears in the list containing details of all Eligible SGC Baskets published for this purpose from time to time by the Clearing House; and
- (b) the details of such RepoClear SGC Transaction or SGC Trade are submitted for registration in accordance with the Rulebook and all such other requirements from time to time of the Clearing House; and
- (c) the parties to such RepoClear SGC Transaction or SGC Trade are RepoClear Participants,

and the requirements of (a) to (c) inclusive continue to be satisfied at Registration Time.

**2. RepoClear SGC Transactions and SGC Trades**

**2.1 *Product Eligibility Criteria for a RepoClear SGC Transaction or RepoClear SGC Trade***

<b>Deal Types</b>	classic repo; reverse repo
<b>Collateral Types</b>	Securities combined in specifically named SGC Baskets
<b>Structure</b>	A series of one or more overnight (with respect to days on which the RepoClear SGC service is operational) repo transactions with immediate or forward start and  Fixed rate repo
<b>SGC Baskets</b>	ISIN GB00B1347K44 LCH.Clearnet GC Basket – RepoClear STLG GC UK Government BD Basket
<b>Currency</b>	Pounds sterling
<b>Settlement Depository</b>	Euroclear UK and Ireland

**Term**

<b>Minimum Opening Leg</b>	Date of registration by the Clearing House up to the SGC Cut-Off Time
<b>Maximum Opening Leg</b>	Any valid SGC Day up to 374 days from the trade date
<b>Minimum Closing Leg</b>	Opening Leg plus 1 SGC Day
<b>Maximum Closing Leg</b>	Any valid SGC settlement day, which is 1 to 374 days later than, the opening leg. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375

**2.2 Eligible SGC Baskets for a RepoClear SGC Transaction or SGC Trade**

The following SGC Baskets are available for trading as subject to these Rulebook provisions:

- (a) British Government Unstripped Sterling SGC Basket; Eligible Securities in this SGC Basket are such Unstripped British Government bonds as are published from time to time by the Clearing House on the LCH.Cleernet Member-only web site.



**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part G**

**PART G****REPOCLEAR GC CONTRACT TERMS: REPOCLEAR €GC CONTRACTS ARISING FROM REPOCLEAR €GC TRANSACTIONS OR €GC TRADES**

Where a RepoClear €GC Contract arises between the Clearing House and a RepoClear Clearing Member pursuant to the Regulations and the terms of any agreement entered into between them, the terms of such RepoClear €GC Contract shall include these REPOCLEAR €GC CONTRACT TERMS, which shall comprise:

- (1)   (1)   Interpretation section;
- (2)   (2)   Economic Terms; and
- (3)   (3)   Standard Term.

**1. Interpretation Section**

Save as otherwise specified herein, words and phrases defined elsewhere in this Rulebook shall have the same meanings in these RepoClear €GC Contract Terms.

In the event of any inconsistency between these RepoClear €GC Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

As used in these RepoClear €GC Contract Terms:

**“AutoAssign Supplement”** means the CBL arrangement outlining services facilitating selection of securities for €GC Contracts.

**“AutoSelect”** means the Euroclear electronic processing module facilitating the selection of securities for €GC Contracts.

**“CBL”** means Clearstream Banking Limited.

**“Closing Cash Amount”** means the cash amount identified in the Economic Terms as set out in paragraph ~~1~~below~~2~~below.

**“Daily Cash Amount”** means, on any €GC Day, the net cash amount payable by either party to the other, calculated under paragraph ~~2.4(e)~~3.4(c).

**“Daily Equivalent Securities”** means, on any day, the net securities transferable by either party to the other, calculated under paragraph ~~2.4(b)~~3.4(b).

**“Daily Purchased Securities”** means, on any €GC Day, the net securities transferable by either party to the other, calculated under paragraph ~~2.4(a)~~3.4(a).

**“Daily Return Amount”** means, on any €GC Day, the net cash amount payable by either party to the other, calculated under paragraph ~~2.4(d)~~3.4(d).

**“Eligible €GC Basket”** means a €GC Basket which appears in the list containing details of all Eligible €GC Baskets published for this purpose from time to time by the Clearing House.

**“Eligible €GC Trade”** means a RepoClear €GC Transaction or €GC Trade, as applicable.

**“Eligible Securities”** means securities of any issue of securities comprised in a €GC Basket.

**“End Date”** means the last day upon which Equivalent Securities will be delivered by the Buyer to the Seller in accordance with these RepoClear €GC Contract Terms, as stated in the Economic Terms.

**“Equivalent Securities”** means, on any day, securities equivalent to the Purchased Securities that were transferred by Seller to Buyer on the immediate preceding €GC Day.

Securities are **“equivalent to”** other securities for the purposes of these RepoClear €GC Contract Terms if they are: (i) of the same issuer; (ii) part of the same issue; and (iii) of an identical type, nominal value, description and (except where otherwise stated) amount as those other securities.

**“Euroclear”** means Euroclear Bank.

**“€GC Basket”** means the issues of securities recognised by the Clearing House in accordance with the RepoClear Procedures which, together, comprise each basket of securities as set out in Part H of the Schedule to the RepoClear Regulations.

**“€GC Cut-Off Time”** means such time on each €GC day as is set out in the RepoClear Procedures (as the time after which on that day no further Eligible €GC Trades will be accepted by the Clearing House for registration which are to be settled on the same €GC day).

**“€GC Day”** means any day of the Term on which the RepoClear €GC service operates.

**“Euro Zone Countries”** means the countries which are member states of the European Union who have adopted the euro currency union.

**“Interest”** means with regard to this RepoClear €GC Contract, the amount obtained by deducting the Opening Cash Amount from the Closing Cash Amount.

**“Last €GC Date”** means, with regard to this RepoClear €GC Contract, the last date upon which Purchased Securities will be sold by Seller to Buyer in accordance with these RepoClear €GC Contract Terms.

**“Opening Cash Amount”** means the cash amount identified in the Economic Terms as set out in paragraph ~~1~~below~~2~~below.

**“Purchased Securities”** means on any €GC Day, Eligible Securities transferable by Seller to Buyer on that €GC Day under these RepoClear €GC Contract Terms.

**“RepoClear Procedures”** means the part of the Rulebook of the Clearing House that contains provisions in respect of RepoClear €GC Contracts.

**“RepoClear €GC Contract”** means a RepoClear €GC Contract between Buyer and Seller on these RepoClear €GC Contract Terms and references to **“this RepoClear €GC Contract”** are to the particular RepoClear €GC Contract in question.

**“Return Amount”** means a cash amount which is equivalent in value to, and in the same currency as, the Opening Cash Amount.

**“Start Date”** means the €GC Day being the first day upon which Purchased Securities will be sold by Seller to Buyer as stated in the Economic Terms and in accordance with these RepoClear €GC Contract Terms.

**“Triparty Agent”** means CBL, Euroclear or any other agent as the Clearing House may appoint from time to time.

**“Term”** means the interval of time commencing on and including the Start Date and ending on and including the Last €GC Date.

**“Underlying €GC Basket”** means the €GC Basket identified in the Economic Terms of a RepoClear €GC Contract.

## 4.2. Economic Terms

In relation to this RepoClear €GC Contract, the terms in ~~(a)(a)~~ to ~~(g) below~~ (g) below (the **“Economic Terms”**) will (i) where this RepoClear €GC Contract is dealt with through an Approved Trade Matching System, be derived from the information presented by the RepoClear Participants to the Clearing House for registration, and (ii) where this RepoClear €GC Contract is dealt with through an Automated Trading System, be derived from the information input by the RepoClear Participants and matched by or in accordance with the rules and procedures of such Automated Trading System.

The Economic Terms comprise details of:

- (a) Buyer;
- (b) Seller;
- (c) Underlying €GC Basket (identified by ISIN);
- (d) Trade date and time;
- (e) Start Date;
- (f) End Date;
- (g) Opening Cash Amount;
- (h) Closing Cash Amount;

**PROVIDED, however, that**, when such information presented or input (as the case may be) by any RepoClear Participants specifies such RepoClear Participant as (i) Buyer under a contract, with the other party as Seller, the Clearing House will be Seller under the RepoClear €GC Contract; and (ii) Seller under a contract, with the other party as Buyer, the Clearing House will be Buyer under the RepoClear €GC Contract.

## 2.3. Standard Terms

2.43.1 RepoClear €GC Contracts shall arise in accordance with the Rulebook and shall be on these RepoClear €GC Contract Terms.

### *Allocation of Eligible Securities*

2.23.2 On each €GC Day of this RepoClear €GC Contract, Seller agrees that Purchased Securities shall be allocated from the Underlying €GC Basket in accordance with the terms of this RepoClear €GC Contract and the RepoClear Procedures. Purchased Securities may be allocated from more than one issue of securities in the Underlying €GC Basket. Following the application of paragraph 23.4, the value of Daily Purchased Securities to be allocated on any €GC Day shall be equal to the Daily Cash Amount (subject to any discrepancies in value attributable to allocation methodologies as contemplated within the RepoClear Procedures from time to time).

### *Transfer of Securities and Cash*

2.33.3 Subject to paragraph 23.4 ~~below:~~ below:

- (a) on the Start Date and each subsequent €GC Day, Seller shall transfer Purchased Securities to Buyer against payment of the Opening Cash Amount by Buyer, in accordance with the RepoClear Procedures;
- (b) on the €GC Day immediately after the Start Date and on each subsequent €GC Day and also the End Date, Buyer shall transfer Equivalent Securities to Seller against payment of the Return Amount, in accordance with the RepoClear Procedures.

2.43.4 Subject to the Default Rules:

- (a) the value of Purchased Securities transferable by Seller to Buyer under this RepoClear €GC Contract on any €GC Day and the value of Purchased Securities transferable by either party to the other under any other open RepoClear €GC Contract relating to the same Underlying €GC Basket on the same day shall be combined into a single calculation of a net value of securities of that €GC Basket transferable by one party to the other and the obligation to transfer securities of that net value and of that €GC Basket (the “Daily Purchased Securities”) through either CBL’s service under the AutoAssign Supplement, Euroclear’s AutoSelect service or any other equivalent service provided by a Triparty Agent, as the case may be, on that day shall be the only obligation of either party in respect of all Purchased Securities in relation to that €GC Basket so transferable and receivable on that day;
- (b) the Equivalent Securities transferable by Buyer to Seller under this RepoClear €GC Contract on any day and the Equivalent Securities transferable by either party to the other under any other open RepoClear €GC Contract relating to the same Underlying €GC Basket on the same day shall be replaced by a single obligation by one party (the “delivering party”) to transfer on that day to the other party (the “receiving party”) in the same manner as set out above at 2.4(a)3.4(a) securities equivalent to the Daily Purchased Securities that were transferred on the previous €GC Day by the receiving party to the delivering party (the “Daily Equivalent Securities”), and that obligation to transfer the Daily Equivalent Securities shall be the only obligation

of either party in respect of all Equivalent Securities in relation to that €GC Basket so transferable and receivable on that day;

- (c) the Opening Cash Amount transferable by Buyer to Seller under this RepoClear €GC Contract on any €GC Day and any Opening Cash Amount transferable by either party to the other under any other open RepoClear €GC Contract in relation to the same Underlying €GC Basket on the same day shall be combined in a single calculation of a net cash amount (~~“(the “Daily Cash Amount”)~~) transferable by one party to the other and the obligation to transfer the Daily Cash Amount shall be the only obligation of either party in respect of all Opening Cash Amounts in relation to the same Underlying €GC Basket so transferable and receivable on that day;
- (d) the Return Amount transferable by Seller to Buyer under this RepoClear €GC Contract on any day and any Return Amount transferable by either party to the other under any other open RepoClear €GC Contract in relation to the same Underlying €GC Basket on the same day shall be replaced by a single net obligation by one party (the ~~“(paying party”)~~) to transfer to the other party (the ~~“(receiving party”)~~) on that day cash equivalent in amount to, and of the same currency as, the Daily Cash Amount that was transferred on the previous €GC Day by the receiving party to the paying party (~~“(the “Daily Return Amount”)~~), and that obligation to transfer the Daily Return Amount shall be the only obligation of either party in respect of all Return Amounts in relation to the same Underlying €GC Basket so transferable and receivable on that day;

~~PROVIDED ALWAYS THAT~~Provided always that any obligation of a party to transfer any Daily Cash Amount shall not be combined with any obligation of a party to transfer any Daily Return Amount arising on the same day and payment of such Daily Cash Amount shall be made gross and separate from such Daily Return Amount in accordance with the RepoClear Procedures.

### *Terminology*

~~2.53.5~~2.53.5 Notwithstanding the use of expressions such as ~~“(margin”~~, ~~“(“Equivalent Securities”~~, ~~“(“Opening Cash Amount”~~, ~~“(“Purchased Securities”~~, ~~“(“Daily Cash Amount”~~, ~~“(“Daily Return Amount”~~, ~~“(“Daily Purchased Securities”~~ and ~~“(“Daily Equivalent Securities”~~ which are used to reflect terminology used in the market for transactions of the kinds provided for in these RepoClear €GC Contract Terms, all right, title and interest in and to Daily Purchased Securities, Daily Cash Amount and Daily Return Amount transferred or paid under these RepoClear €GC Contract Terms and, all right, title and interest in Daily Equivalent Securities, shall pass to the transferee on transfer or payment, and the obligation of the party receiving Daily Purchased Securities on any €GC Day shall be an obligation to transfer Daily Equivalent Securities on the next following day, at such time as is set out in the RepoClear Procedures.

### *Interest*

~~2.63.6~~2.63.6 Seller shall pay the Interest to Buyer on the End Date in accordance with these RepoClear €GC Contract Terms and the RepoClear Procedures.

~~2.73.7~~2.73.7 Subject to the Default Rules, Interest payable under this RepoClear €GC Contract and Interest payable by either party to the other under any other RepoClear €GC Contract with

the same End Date and settled through the same Triparty Agent shall be combined in a single calculation of a net cash amount payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts.

### ***Payment and Transfer***

~~2.8~~3.8 Each of the following, insofar as it is applicable to this RepoClear €GC Contract, shall be paid or transferred in accordance with the provisions set out in the RepoClear Procedures: Daily Purchased Securities; Daily Equivalent Securities; Daily Cash Amount; Daily Return Amount; Interest.

~~2.9~~3.9 In accordance with the RepoClear Procedures, either party may appoint another person to make any payments and to make any transfers of securities on its behalf. Notwithstanding any such appointment, each of the parties agrees that it shall remain liable under this RepoClear €GC Contract as principal.

~~2.40~~3.10 The parties shall execute and deliver all necessary documents and take all necessary steps to procure that all right, title and interest in any Purchased Securities and in any Equivalent Securities shall pass to the party to which transfer is being made upon transfer of the same in accordance with these Standard Terms, free from all liens, claims, charges and encumbrances.

## **3.4. General**

### ***Margin Maintenance***

~~3.14~~3.1 The provisions set out in the General Regulations and the Procedures in relation to margin and ~~Collateral in respect of cover for margin obligations~~ shall be applicable to this RepoClear €GC Contract. Any ~~Collateral transferred cover~~ in respect of a variation margin ~~obligations~~liability will be in the form of cash only ~~and will be~~ denominated in Euro.

### ***Withholding Tax Provisions***

~~3.24~~3.2 All money payable by a RepoClear Clearing Member to the Clearing House in respect of this RepoClear €GC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the RepoClear Clearing Member shall pay such additional amounts as will result in the net amounts receivable by the Clearing House (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted.

~~3.34~~3.3 All money payable by the Clearing House to a RepoClear Clearing Member in respect of this RepoClear €GC Contract shall be paid free and clear of, and without withholding or deduction for, any taxes or duties of whatsoever nature imposed, levied, collected, withheld or assessed by any authority having the power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Clearing House shall pay such additional amounts as will result in the net amounts receivable by the RepoClear Clearing Member (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be

withheld or deducted; ~~PROVIDED~~provided, however, that the Clearing House shall only be under an obligation to pay such additional amounts to the extent that the Clearing House determines, in its sole and absolute discretion, that it is entitled to recover the amount payable by it from a RepoClear Clearing Member in respect of any related RepoClear €GC Contract.

### ***Regulations***

~~3.44.4~~3.44.4 This RepoClear €GC Contract shall be subject to the Regulations, which shall form a part of its terms.

### ***Governing Law***

~~3.54.5~~3.54.5 This RepoClear €GC Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.

### ***Third Party Rights***

~~3.64.6~~3.64.6 A person who is not a party to this RepoClear €GC Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of his RepoClear €GC Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.



**SCHEDULE TO THE REPOCLEAR REGULATIONS**

**Part H**

**PART H**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF ~~AA~~ REPOCLEAR €GC CONTRACT**

**1. Eligibility Criteria**

Without prejudice to the Regulations and Procedures, including but not limited to the RepoClear Procedures, the Clearing House shall only register a RepoClear €GC Transaction or a €GC Trade as a RepoClear €GC Contract pursuant to receipt of details of such RepoClear €GC Transaction or €GC Trade where at the time the details are presented:

- (a) RepoClear €GC Transaction or €GC Trade meets the Eligibility Criteria set out for in ~~2.1 and 2.2~~ 2.1 and 2.2 and the Underlying €GC Basket appears in the list containing details of all Eligible €GC Baskets published for this purpose from time to time by the Clearing House; and
- (b) the details of such RepoClear €GC Transaction or €GC Trade are submitted for registration in accordance with the Rulebook and all such other requirements from time to time of the Clearing House; and
- (c) the parties to such RepoClear €GC Transaction or €GC Trade are RepoClear Participants,

and the requirements of (a) to (c) inclusive continue to be satisfied at Registration Time.

**2. RepoClear €GC Transactions and €GC Trades**

**2.1 *Product Eligibility Criteria for a RepoClear €GC Transaction or RepoClear €GC Trade***

<b>Deal Types</b>	Classic repo; reverse repo
<b>Collateral Types</b>	Securities combined in specifically named €GC Baskets
<b>Structure</b>	A series of one or more overnight (with respect to days on which the RepoClear €GC service is operational) repo transactions with immediate or forward start and  Fixed rate repo.
<b>€GC Baskets</b>	RepoClear €GC AAA Euro Government Bond Basket (EB) ISIN code XS0334393260  RepoClear €GC AA Euro Government Bond Basket (EB) ISIN code XS0334393187  RepoClear €GC A Euro Government Bond Basket (EB) ISIN code XS0334392965  RepoClear €GC German Government Bond Basket (EB) ISIN code XS0417057287

RepoClear €GC German Sub-10 Government Bond Basket (EB)  
ISIN code XS0434408539

RepoClear €GC French Government Bond Basket (EB) ISIN code  
XS0417060588

RepoClear €GC Spanish Government Bond Basket (EB) ISIN  
code XS0417076584

RepoClear €GC Dutch Government Bond Basket (EB) ISIN code  
XS0417074969

RepoClear €GC Belgian Government Bond Basket (EB) ISIN  
code XS0417076741

RepoClear €GC Italian Government Bond Basket (EB) ISIN code  
XS0417087607

RepoClear €GC AAA Euro Government Bond Basket(CBL) ISIN  
code XS0333936523

RepoClear €GC AA Euro Government Bond Basket (CBL) ISIN  
code XS0333972080

RepoClear €GC A Euro Government Bond Basket (CBL) ISIN  
code XS0334012647

RepoClear €GC German Government Bond Basket (CBL) ISIN  
code XS0414733989

RepoClear €GC German Sub-10 Government Bond Basket  
(CBL) ISIN code XS0432413200

RepoClear €GC French Government Bond Basket (CBL) ISIN  
code XS0414742626

RepoClear €GC Spanish Government Bond Basket (CBL) ISIN  
code XS0414744325

RepoClear €GC Dutch Government Bond Basket (CBL) ISIN  
code XS0414743517

RepoClear €GC Belgian Government Bond Basket (CBL) ISIN  
code XS0414748748

RepoClear €GC Italian Government Bond Basket (CBL) ISIN  
code XS0414746965

**Currency**

Euro

<b>Settlement Depository</b>	Clearstream Banking, Luxembourg or Euroclear Bank
<b>Term</b>	
<b>Minimum Opening Leg</b>	Date of registration by the Clearing House, up to the €GC Cut-Off Time.
<b>Maximum Opening Leg</b>	Any valid €GC Day up to 374 days from the trade date
<b>Minimum Closing Leg</b>	Opening Leg plus 1 RepoClear Operating Day on which the €GC service operates.
<b>Maximum Closing Leg</b>	Any valid €GC settlement day which is 1 to 374 days later than the opening leg. Where the term includes 29 February (inclusive of the opening and closing leg dates) the value of 374 is raised to 375

## 2.2 *Eligible €GC Baskets for a RepoClear €GC Transaction or €GC Trade*

The following €GC Baskets are available for trading as subject to these Rulebook provisions:

### *Eligible €GC Baskets for settlement at Euroclear Bank*

- (1) (1) RepoClear €GC AAA Euro Government Bond Basket (EB) -- ISIN code XS0334393260

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AAA.

- (2) (2) RepoClear €GC AA Euro Government Bond Basket (EB) -- ISIN code XS0334393187

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AA or AAA.

- (3) (3) RepoClear €GC A Euro Government Bond Basket (EB) -- ISIN code XS0334392965

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is A, AA or AAA.

- ~~(4)~~ (4) RepoClear €GC German Government Bond Basket (EB) -- ISIN code XS0417057287

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt.

- ~~(5)~~ (5) RepoClear €GC German Sub-10 Government Bond Basket (EB) -- ISIN code XS0434408539

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated German government debt with less than 10 years to maturity.

- ~~(6)~~ (6) RepoClear €GC French Government Bond Basket (EB) -- ISIN code XS0417060588

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated French government debt.

- ~~(7)~~ (7) RepoClear €GC Spanish Government Bond Basket (EB) -- ISIN code XS0417076584

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Spanish government debt.

- ~~(8)~~ (8) RepoClear €GC Dutch Government Bond Basket (EB) -- ISIN code XS0417074969

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Dutch government debt.

- ~~(9)~~ (9) RepoClear €GC Belgian Government Bond Basket (EB) -- ISIN code XS0417076741

Eligible Securities in this €GC Basket are such issues of Securities that are euro-denominated Belgian government debt.

- ~~(10)~~ (10) RepoClear €GC Italian Government Bond Basket (EB) -- ISIN code XS0417087607

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Italian government debt

*Eligible €GC Baskets for settlement at Clearstream Bank Luxembourg*

- ~~(11)~~ (11) RepoClear €GC AAA Euro Government Bond Basket (CBL) -- ISIN code XS0333936523

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AAA.

~~(12)~~ (12) RepoClear €GC AA Euro Government Bond Basket (CBL) ISIN: XS0333972080

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the Combined Credit Rating of the country is AA or AAA.

~~(13)~~ (13) RepoClear €GC A Euro Government Bond Basket (CBL) ISIN: XS0334012647

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated government debt of Euro Zone Countries where the combined credit rating of the country is A, AA or AAA.

~~(14)~~ (14) RepoClear €GC German Government Bond Basket (CBL) ISIN: XS0414733989

Eligible Securities in this €GC Basket are such issues of securities that are euro denominated German government debt.

~~(15)~~ (15) RepoClear €GC German Sub-10 Government Bond Basket (CBL) ISIN: XS0432413200

Eligible Securities in this €GC Basket are such issues of securities that are euro denominated German government debt with less than 10 years to maturity.

~~(16)~~ (16) RepoClear €GC French Government Bond Basket (CBL) ISIN: XS0414742626

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated French government debt.

~~(17)~~ (17) RepoClear €GC Spanish Government Bond Basket (CBL) ISIN: XS0414744325

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Spanish government debt.

~~(18)~~ (18) RepoClear €GC Dutch Government Bond Basket (CBL) ISIN: XS0414743517

Eligible Securities in this €GC Basket are such issues of securities that are euro denominated Dutch government debt.

~~(19)~~ (19) RepoClear €GC Belgian Government Bond Basket (CBL) ISIN: XS0414748748

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Belgian government debt.

~~(20)~~ (20) RepoClear €GC Italian Government Bond Basket (CBL) ISIN: XS0414746965

Eligible Securities in this €GC Basket are such issues of securities that are euro-denominated Italian government debt.

For each of the above Eligible €GC Baskets, individual issues of securities which would otherwise meet the eligibility criteria defined for an Eligible €GC Basket, may be excluded from that Eligible €GC Basket at the sole discretion of the Clearing House, where that issue of securities does not meet the Clearing House's requirements for risk management purposes.

Notwithstanding that individual issues of securities meet the eligibility criteria defined for an Eligible €GC Basket, where the relevant Triparty Agent for that €GC Basket does not allow the allocation of that issue of security as part of its Autoselect or AutoAssign Supplement, that issue of securities will be excluded from the relevant basket.

#### DERIVATION OF COMBINED CREDIT RATING

Combined Credit Rating	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA
AA	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
A	A1	A+	A+
	A2	A	A
	A3	A-	A-

To determine the Combined Credit Rating of a country, the lowest rating allocated by Moody's, S&P and Fitch should be used.

### 3. Netting across Triparty Agent's accounts

When the triparty systems of Euroclear and CBL are able to support the necessary level of interoperability (the "Triparty Bridge"), the Clearing House reserves the right to:

- cease to register new trades in the Eligible €GC Baskets defined in section 2.2; and
- for each set of two Eligible €GC Baskets which have the same Eligible Securities, introduce one new Eligible €GC Basket which can be settled at either Euroclear or CBL, and re-register any existing trades in the original two Eligible €GC basket into the single Eligible €GC Basket which replaces them.

**~~SCHEDULE TO THE SWAPCLEAR REGULATIONS~~**

**Part A**



**SCHEDULE 2 ~~SWAPCLEAR~~  
SWAPCLEAR**

**PART A  
SWAPCLEAR CONTRACT TERMS**

The terms of a registered SwapClear Contract shall include these SwapClear Contract Terms which shall comprise:

- ~~(1)~~ (1) Interpretation; and
- ~~(2)~~ (2) Economic Terms; and
- ~~(3)~~ (3) Standard Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the Regulations and the Procedures, the Clearing House will use the SwapClear Contract Terms applicable to a SwapClear Contract to calculate the amounts due under the SwapClear Contract to, or from, the Clearing House in accordance with the Procedures.

**1. Interpretation**

~~4.4.1.1~~ 4.4.1.1 ~~“ISDA 2000 Definitions”~~ means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ~~(“ISDA”)~~, and the same are incorporated by reference herein ~~and~~ “ISDA 2006 Definitions” means the 2006 ISDA Definitions as published by ISDA, and the same are incorporated by reference herein; and “ISDA 2008 Inflation Definitions” means the 2008 ISDA Inflation Derivatives Definitions as published by ISDA, and the same are incorporated by reference herein.

~~4.2.1.2~~ 4.2.1.2 Words and expressions used in these SwapClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ~~“ISDA 2000 Definitions”~~ ~~or~~, the “ISDA 2006 Definitions” or the “ISDA 2008 Inflation Definitions” shall have the same meaning herein as in the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA 2006/2008 Inflation Definitions as the case may be, unless expressly provided otherwise. For the avoidance of doubt where the SwapClear Contract identifies the ISDA 2000 Definitions as being applicable to that SwapClear Contract then those definitions will apply ~~and~~, where the SwapClear Contract identifies the ISDA 2006 Definitions as being applicable to that SwapClear Contract then those definitions will apply and where the SwapClear Contract identifies the ISDA 2008 Inflation Definitions as being applicable to that SwapClear Contract then those definitions will apply.

~~4.3.1.3~~ 4.3.1.3 In the event of an inconsistency between the Regulations and the Procedures and any of the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA 2008 Inflation Definitions, the Regulations and Procedures will prevail. In the event of an inconsistency between either the ISDA 2000 Definitions or the ISDA 2006 Definitions, ~~the Regulations and Procedures will~~ and the ISDA 2008 Inflation Definitions, the ISDA 2008 Inflation Definitions will (where they are applicable) prevail.

~~4.4.1.4~~ 4.4.1.4 References in the ISDA 2000 Definitions and the ISDA 2006 Definitions to a “Swap Transaction” and references in the ISDA 2008 Inflation Definitions to an “Index

**Transaction**” shall be deemed to be references to a **“SwapClear Transaction”** for the purposes of SwapClear.

~~4.5.1.5~~ Except where expressly stated otherwise, all reference to **“Articles”** means Articles in the ISDA 2000 Definitions ~~or~~ the ISDA 2006 Definitions or the ISDA 2008 Inflation Definitions as the case may be as published by ISDA~~;~~.

~~(a)~~ ~~in~~In relation to any amendments to either the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA ~~2006~~2008 Inflation Definitions, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and the SwapClear Dealers, give directions as to whether such amendment shall apply to SwapClear Contracts with immediate effect or with such deferred effect as the Clearing House shall determine~~;~~.

~~(b)~~ ~~any.~~ Any such notice may provide that the amendment to the ISDA 2000 Definitions, the ISDA 2006 Definitions or the ISDA ~~2006~~2008 Inflation Definitions may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member~~’s~~’s name at the time such amendment comes into effect if the Clearing House so determines~~;~~.

~~(c)~~1.6 and the accidental omission to give notice under this provision to, or the non~~-~~receipt of notice under this provision by, any SwapClear Clearing Member or SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.

## 2. Economic Terms

~~2.1.2.1~~ The Economic Terms of a SwapClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding SwapClear Transaction in respect of the terms designated as Economic Terms in this Schedule.

~~2.2.2.2~~ It is part of the eligibility criteria for registration as a SwapClear Contract that the particulars of a SwapClear Transaction presented to the Clearing House must include matched information in respect of such designated Economic Terms, except that information in respect of (i) (viii) OR (ix) (not both) of 2.3 below for vanilla interest rate swaps with constant notional principal and variable notional swaps and (n) or (o) (not both) of 2.4 below in relation to forward rate agreements must be provided.

~~2.3.2.3~~ The Economic Terms for vanilla interest rate swaps with constant notional principal ~~and~~ variable notional swaps comprise:

(a) Notional Amount (see Article 4.7~~;~~) of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition) (for variable notional swaps, the Notional Amount can be set out in a Notional Amount Schedule<sup>1</sup>)

<sup>+</sup> ~~SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.~~

<sup>1</sup> SwapClear will accept IRS, Basis or zero coupon swaps with a Notional Amount which for each payment calculation period may remain unchanged, increase or decrease relative to its previous value. The changes in notional can only take place at the calculation period start dates and must be pre-determined at the point of

- (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
- (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
- (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
- (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions -for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Where Fixed Rate – Floating Rate Swap:
  - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition);
  - (ii) Fixed Rate Payer Payment Dates;
  - (iii) Fixed Amount (see Article 4.4 of the ISDA 2000 Definitions and Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule]<sup>2</sup>
  - (iv) Floating Rate Payer (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition);
  - (v) Floating Rate Payer Payment Dates;
  - (vi) Floating Rate Payer compounding dates (if applicable);
  - (vii) Floating Amount (see Article 4.5 of the ISDA 2000 Definitions and Article 4.5 of the ISDA 2006 Definitions -for definition);

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registration. The notional schedule will be applied at the start of the corresponding calculation period, adjusted (or unadjusted) with the calculation period calendar specified in the trade. Notional schedules need not be identical for the two legs of the trade.

<sup>3</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value.~~

<sup>2</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a Fixed Rate on the fixed leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value.

- (viii) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(Note: The details of each such option are as provided in the Procedures).

- (ix) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 Version)" and Article 7.3(b) of the ISDA 2006 Definitions for definition);

- (x) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2(e) of the ISDA 2006 Definitions for definition)<sup>33</sup>;

- (xi) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2(b) of the ISDA 2006 Definitions for definition);

- (xii) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2(f) of the ISDA 2006 Definitions for definition).

- (j) Where Floating Rate – Floating Rate Swap ("basis" swap):

- (i) Floating Rate Payer 1 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions for definition):

(a) Floating Rate Payer Payment Dates;

(b) Floating Rate Payer compounding dates (if applicable);

(c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) of the ISDA 2006 Definitions for definition);

(Note: the details of each such option are as provided in the Procedures)

(d) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3(b) of the ISDA 2006 Definitions for definition);

(e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2(e) of the ISDA 2006 Definitions for definition);<sup>44</sup>

<sup>3</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

<sup>3</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

<sup>4</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

<sup>4</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- ~~(f)~~ (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2-(b) of the ISDA 2006 Definitions for definition);
- ~~(g)~~ (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2-(f) of the ISDA 2006 Definitions for definition)
- (ii) Floating Rate Payer 2 (see Article 2.2 of the ISDA 2000 Definitions and Article 2.2 of the ISDA 2006 Definitions -for definition):
  - ~~(a)~~ (a) Floating Rate Payer Payment Dates;
  - ~~(b)~~ (b) Floating Rate Payer compounding dates (if applicable);
  - ~~(c)~~ (c) Floating Rate Option (see Article 6.2(i) of the ISDA 2000 Definitions and Article 6.2(h) -of the ISDA 2006 Definitions for definition)

(Note: The details of each such option are as provided in the Procedures)

- ~~(d)~~ (d) Designated Maturity (see Article 7.3(b) of the "Annex to the 2000 ISDA Definitions (June 2000 version)" and Article 7.3-(b) of the ISDA 2006 Definitions for definition);
- ~~(e)~~ (e) Spread (see Article 6.2(f) of the ISDA 2000 Definitions and Article 6.2-(e) of the ISDA 2006 Definitions -for definition);<sup>5</sup>
- ~~(f)~~ (f) Reset Dates (see Article 6.2(b) of the ISDA 2000 Definitions and Article 6.2-(b) of the ISDA 2006 Definitions for definition);
- ~~(g)~~ (g) Floating Rate Day Count Fraction (see Article 6.2(g) of the ISDA 2000 Definitions and Article 6.2-(f) of the ISDA 2006 Definitions for definition)

SwapClear Contracts registered by the Clearing House in respect of such vanilla interest rate swaps with constant notional principal or in respect of such variable notional swaps constitute "IRS SwapClear Contracts".

2.4.2.4 The Economic Terms for Forward Rate Agreements (using only the ISDA 2006 Definitions) comprise:

- (a) Notional Amount (see Article 4.7 for definition);
- (b) Currency (see Article 1.7 for definition);
- (c) Trade Date (see Article 3.7 for definition);

<sup>5</sup> ~~SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.~~

<sup>5</sup> SwapClear will accept IRS, Basis or zero coupon variable notional swaps with a floating rate spread on the floating leg which for each calculation and/or compounding period may remain unchanged, increase or decrease relative to its previous value. The spread can be negative. Where such spread is variable it can be set out in a Spread schedule.

- (d) Effective Date (see Article 3.2 for definition);
- (e) Termination Date (see Article 3.3 for definition);
- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 for definition);
- (h) Business Day Convention (see Article 4.12 for definition);
- (i) Fixed Rate Payer (see Article 2.1 for definition);
- (j) Fixed Rate Payer Payment Dates;
- (k) Fixed Rate
- (l) Floating Rate Payer (see Article 2.2 for definition);
- (m) Floating Rate Payer Payment Dates;
- (n) Floating Rate Option (see Article 6.2(i) for definition);
- (o) Designated Maturity (see Article 7.3(b) for definition);
- (p) Spread (see Article 6.2(f) for definition);
- (q) Reset Dates (see Article 6.2(b) for definition);
- (r) Floating Rate Day Count Fraction (see Article 6.2(g) for definition).
- (s) FRA Discounting (see Article 8.4-(b) for definition):
- (t) Discount Rate (see Article 8.4-(c) for definition):
- (u) Discount Rate Day Count Fraction (see Article 8.4-(d) for definition):
- (v) FRA Yield Discounting (see Article 8.4-(e) for definition):

In respect of forward rate agreements either (s) or (v) but not both should be selected.

~~PROVIDED~~ SwapClear Contracts registered by the Clearing House in respect of such forward rate agreements constitute "IRS SwapClear Contracts".

## 2.5 The Economic Terms for vanilla inflation swaps with constant notional principal comprise:

- (a) Notional Amount (see Article 4.7 of the ISDA 2000 Definitions and Article 4.7 of the ISDA 2006 Definitions for definition);

- (b) Currency (see Article 1.7 of the ISDA 2000 Definitions and Article 1.7 of the ISDA 2006 Definitions for definition);
- (c) Trade Date (see Article 3.7 of the ISDA 2000 Definitions and Article 3.7 of the ISDA 2006 Definitions for definition);
- (d) Effective Date (see Article 3.2 of the ISDA 2000 Definitions and Article 3.2 of the ISDA 2006 Definitions for definition);
- (e) Termination Date (see Article 3.3 of the ISDA 2000 Definitions and Article 3.3 of the ISDA 2006 Definitions for definition);
- (f) Additional Payments/Fees:
  - (i) the Payer of the Additional Payments/Fees (if any);
  - (ii) the amount of the Additional Payments/Fees (specify zero if none).
- (g) Business Days (see Article 1.4 of the ISDA 2000 Definitions and Article 1.4 of the ISDA 2006 Definitions for definition);
- (h) Business Day Convention (see Article 4.12 of the ISDA 2000 Definitions and Article 4.12 of the ISDA 2006 Definitions for definition);
- (i) Where Fixed Rate - Floating Rate Swap:
  - (i) Fixed Rate Payer (see Article 2.1 of the ISDA 2000 Definitions and Article 2.1 of the ISDA 2006 Definitions for definition):
    - (a) Fixed Rate Payer Payment Date;
    - (b) Fixed Amount (see Article 4.4 of the ISDA 2006 Definitions for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule]
  - (ii) Floating Rate Payer (see Article 2.2 of the ISDA 2006 Definitions for definition):
    - (a) Floating Rate Payer Payment Date;
    - (b) Index (see Article 1, Section 1.4 of the ISDA 2008 Inflation Definitions for definition);  
(Note: The details of each Index are as provided in the Procedures).
    - (c) Index Initial (being the Index level for the specified Reference Month (see Article 1, Section 1.7 of the ISDA 2008 Inflation Definitions for definition) or the specified Index level);
    - (d) Index Final (being the Index level for the specified Reference Month (see Article 1, Section 1.7 of the ISDA 2008 Inflation Definitions for definition));

(e) Information source (if applicable); and

(f) Interpolation (if applicable).

**Provided, however, that**, as set out more particularly in Regulation 4816, where the SwapClear Transaction specifies a SwapClear Dealer as the party paying Rate X (the “First SwapClear Dealer”), with the other SwapClear Dealer as the party paying Rate Y (the “Second SwapClear Dealer”), the Clearing House, in respect of each SwapClear Contract it is party to pursuant to the corresponding SwapClear Transaction, shall be (i) the party paying Rate Y to the First SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract; and (ii) the party paying Rate X to the Second SwapClear Dealer, or its SwapClear Clearing Member, as applicable, under the SwapClear Contract.

SwapClear Contracts registered by the Clearing House in respect of such vanilla inflation swaps with constant notional principal constitute "Inflation SwapClear Contracts".

### 2.5.2.6 **Financial Centres**

Detail of the relevant financial centre/s must be provided using the appropriate Markitwire/FpML code as set out below:

<b>Financial Centre</b>	<b>Markitwire/FpML</b>
Sydney	AUSY
Brussels	BEBR
Montreal	CAMO
Toronto	CATO
Geneva	CHGE
Zurich	CHZU
Prague	CZPR
Frankfurt	DEFR
Copenhagen	DKCO
Madrid	ESMA
Helsinki	FIHE
Paris	FRPA
London	GBLO
Hong Kong	HKHK
Budapest	HUBU
Milan	ITMI
Rome	ITRO
Tokyo	JPTO
Luxemburg	LULU



<b>Financial Centre</b>	<b>Markitwire/FpML</b>
Amsterdam	NLAM
Oslo	NOOS
Auckland	NZAU
Wellington	NZWE
Stockholm	SEST
Chicago	USCH
Los Angeles	USLA
New York	USNY
Target/Euro	EUTA
Warsaw	PLWA
Singapore	SGSI
Johannesburg	ZAJO

### 3. **Standard Terms**

The following terms are designated as Standard Terms of a registered SwapClear Contract:

#### ~~3.1.~~3.1 **Business Days**

In addition to the Business Days for the financial centres specified in the Economic Terms, (such Business Days to be determined in accordance with the SwapsMonitor Financial Calendar) the Business Days specified in the calendar published by the Clearing House, from time to time, will apply to a SwapClear Contract.

#### ~~3.2.~~3.2 **Economic and Monetary Union (EMU) Provisions**

~~3.2.1.~~ 3.2.1 The occurrence or non-occurrence of an event associated with EMU will not have the effect of altering any term of, or discharging or excusing performance under, a SwapClear Contract.

~~3.2.2.~~ 3.2.2 For the purposes of this provision events associated with EMU include those set out in the "EMU Continuity Provision" published by ISDA.

~~3.2.3.~~ 3.2.3 In addition, in relation to an occurrence of an event associated with EMU, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and SwapClear Dealers, give directions as to changes, if any, to these SwapClear Contract Terms and to its Procedures. Any such notice may provide that the changes to the SwapClear Contract Terms, and / or Procedures, may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines.

~~3.2.4.~~ 3.2.4 The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by any SwapClear Clearing Member or a

SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.

~~3.2.5.~~ 3.2.5 Where a SwapClear Contract is in Hong Kong Dollars, the parties agree that it is a fundamental basis and condition of the contract that at the registration of this SwapClear Contract and for the duration of this contract, the Hong Kong dollar rate of exchange against the US Dollar is 7.8 Hong Kong Dollars to one US Dollar. In the event that such exchange rate should vary for any one or more day at any time during the contract, the Clearing House shall have the right, on the giving of written notice, to terminate this contract forthwith.

### ~~3.3.3.3~~ 3.3.3.3 *Negative Interest Rates*

The "Negative Interest Rate Method" as set out in Article 6.4(b) of the ISDA Definitions, will apply to a SwapClear Contract.

### ~~3.4.3.4~~ 3.4.3.4 *Withholding Tax Provisions*

3.4.1 All payments ~~due~~ under the General Regulations, a SwapClear Contract ~~shall be made by the or any~~ SwapClear ~~Clearing Member free and clear and~~ Transaction will be made without any deduction or withholding for or on account of any ~~tax. Payments in respect of which Tax unless~~ such deduction or withholding is required ~~to be made, by any applicable law, as modified~~ by the ~~SwapClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, practice of any relevant governmental revenue authority, then in effect. If~~ the Clearing House ~~receives and retains (free from any liability in respect~~ or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member ("X") will:

- (i) promptly notify the recipient ("Y") of such ~~deduction or withholding) a net sum equal~~ requirement;
- (ii) pay to the ~~sum which it would have received and so retained had no~~ relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 3.4.1, Section 2.4.2 or Section 3.4.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been ~~made or required to be made,~~ assessed against Y; and
- (iii) The Clearing House shall make any payments due promptly forward to a Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.

For the purpose of the General Regulations, SwapClear Contracts and SwapClear Transactions, "Tax" shall mean any present or future tax, levy, impost, duty, charge, assessment, or fee of any nature (including interest, penalties, and additions thereto) that is imposed by any government or other taxing authority.

3.4.2 In the event that any payment made by a Clearing Member ~~net of any~~ to the Clearing House under the General Regulations, any SwapClear Contract or any SwapClear Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any ~~tax~~-Tax (other than a Tax that would not have been imposed in respect of such payment but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the Clearing House), then the Clearing Member shall pay to the Clearing House an amount (such amount, together with any additional amount paid pursuant to Section 3.4.7, the "Additional Amount"), in addition to the payment to which the Clearing House is otherwise entitled under the General Regulations, SwapClear Contract or any SwapClear Transaction, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Tax, whether assessed against the Clearing Member or the Clearing House), will equal the full amount the Clearing House would have received in the absence of any such deduction or withholding

However, a Clearing Member will not be required to pay any Additional Amount to the Clearing House under this Section 3.4.2 to the extent that it would not be required to be paid but for (i) the failure by the Clearing House to provide to the Clearing Member such forms and documents as required under Section 3.4.5 or the SwapClear Procedures, provided that this clause (i) shall apply only if (A) the relevant Clearing Member has notified the Clearing House in writing of such failure and (B) the Clearing House has failed to provide such forms or documents within five Business Days after the receipt of such notice; or (ii) the failure of a representation made by the Clearing House pursuant to the representations that it is ~~required to~~ obligated to provide under Section 3.4.10 below to be accurate and true (unless the failure under this clause (ii) would not have occurred but for (A) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to the relevant party) or (B) a Change in Tax Law, that in each case occurs after the Clearing House and the Clearing Member provide the representations that they are obligated to provide pursuant to Section 3.4.10 below (or, if applicable, the date that the Clearing House and the Clearing Member amend such representations to account for such Change in Tax Law)) or a failure by the Clearing House to provide the representations that it is obligated to provide pursuant to Section 3.4.10 below.

In the event that the failure under clause (ii) of the preceding paragraph would not have occurred but for the reasons described under subclause (A) or (B) thereof, the Clearing House shall use commercially reasonable efforts to provide to the Clearing Member a new representation (to the extent that it is appropriate) for the purpose of the representations that it is obligated to provide pursuant to Section 3.4.10 below, promptly after the learning of such failure (so long as the provision of such representation would not materially prejudice the legal or commercial position of the Clearing House).

A Clearing Member will also not be required to pay any Additional Amount to the Clearing House under this Section 3.4.2 for any tax (a "FATCA Withholding Tax") imposed under U.S. Internal Revenue Code Sections 1471, 1472, 1473 or 1474 (or any successor sections that are substantially similar) and any U.S. or non-U.S. law,

regulation or authoritative guidance promulgated thereunder, or any agreements, treaties, or intergovernmental agreements entered into pursuant thereto, (collectively, the "FATCA Rules") provided that such FATCA Withholding Tax would not have been imposed but for the Clearing House's failure to comply with the FATCA Rules.

Notwithstanding the provisions in this section 3.4.2, the Clearing House and SwapClear Members agree to renegotiate these regulations where, for reasons beyond the control of the Clearing House, the provisions of FATCA result in payments beneficially owned by the Clearing House becoming subject to FATCA Withholding Tax.

For the purpose of this Section 3.4.2, "Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law or double tax treaty (or in the application or official interpretation of any law or double tax treaty).

3.4.3 If: (i) a Clearing Member is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding from any payment made to the Clearing House under the General Regulations, SwapClear Contracts and or any SwapClear Transaction for or on account of any Tax, in respect of which the Clearing Member would be required to pay an Additional Amount to the Clearing House under Section 3.4.2; (ii) the Clearing Member does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).

3.4.4 If: (i) the Clearing House is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make ~~from such any~~ deduction or withholding from any payment made to a Clearing Member under the General Regulations, SwapClear Contracts and or any SwapClear Transaction for or on account of any Tax; (ii) the Clearing House does not so deduct or withhold; and (iii) a liability resulting from such Tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such Tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and costs).

3.4.5 The Clearing House shall provide to each Clearing Member (i) the tax forms and documents specified in Section 3.4.10 below and Section 1.2 of the SwapClear Procedures and (ii) any other form or document reasonably requested in writing by the Clearing Member in order to allow the Clearing Member to make a payment under the General Regulations, SwapClear Contract, or any SwapClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document as described in this clause (ii) would not materially prejudice the legal or commercial position of the Clearing House).

3.4.6 The Clearing House shall request from each Clearing Member: (i) the tax forms and documents specified in Section 3.4.10 below and Section 1.2 of the SwapClear

Procedures and (ii) any other form or document reasonably requested in order to allow the Clearing House to make a payment under the General Regulations, SwapClear Contracts and or any SwapClear Transaction without deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate. For the avoidance of doubt, in the event that any payment made by the Clearing House to a Clearing Member under the General Regulations, SwapClear Contracts and or any SwapClear Transaction is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax, the Clearing House is not required to pay any additional amount in respect of such deduction or withholding. the Clearing House will, at the Clearing Member's expense, use commercially reasonable efforts to cooperate with a Clearing Member to seek any credit or remission or other relief available with respect to any such Tax so deducted or withheld (so long as such cooperation would not, in the Clearing House's judgment, materially prejudice the legal or commercial position of the Clearing House).

3.4.7 Each Clearing Member will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with the General Regulations and SwapClear Contract and will indemnify the Clearing House against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that the Clearing House is not able, in the Clearing House's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon the Clearing House or in respect of the Clearing House's execution or performance of any agreement, contract or transaction in connection with the General Rules. Any payment required to be made by a Clearing Member to the Clearing House under this Section 3.4.7 shall include an additional amount equal to any Tax levied or imposed on the Clearing House as a result of the receipt of any payment under this Section 3.4.7.

3.4.8 Each Clearing Member shall promptly notify the Clearing House in writing upon learning that any payment made by the Clearing House to the Clearing Member or by the Clearing Member to the Clearing House under the General Regulations and is subject to any Tax, other than any Tax imposed or levied based on the net income of the Clearing Member or the Clearing House, as applicable.

3.4.9 Clearing Members shall not have any termination or other special rights in respect of SwapClear Transactions as a result of the occurrence of adverse Tax consequences, whether relating to a Change in Tax Law or otherwise, it being understood that Clearing Members may, in accordance with the General Regulations, submit for clearing Original Contracts with other Clearing Members (including with any affiliate that is a Clearing Member) that, if accepted, would offset its SwapClear Transaction.

3.4.10 The Clearing House shall provide such representations and documentation as are required and reasonably requested by each Clearing Member such that each Clearing Member can make payments to the Clearing House without deduction or withholding being applicable.

### **3.5.3.5 Payment of Stamp Tax**

Each SwapClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any SwapClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (~~“(“Stamp Tax Jurisdiction”)~~) or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any SwapClear Contract registered by the Clearing House and to which that SwapClear Clearing Member is a party.

### **3.6.3.6 Payments under a SwapClear Contract**

Payments under, and in respect of, a SwapClear Contract shall be calculated by the Clearing House and shall be made by, or to, the SwapClear Clearing Member in accordance with the provisions of the Procedures.

### **3.7.3.7 Regulations**

A SwapClear Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these SwapClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### **3.8.3.8 Governing Law**

Each SwapClear Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The SwapClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### **3.9.3.9 Third Party Rights**

A person who is not a party to this SwapClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this SwapClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**Part B**

**PART B**  
**PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A SWAPCLEAR CONTRACT**

**1. SwapClear Transaction**

Without prejudice to the Regulations and the Procedures, the Clearing House will only register a SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the ~~SwapClear Eligibility Criteria~~[eligibility criteria, set out in paragraphs 1.2\(a\), \(b\), \(c\) or \(d\) and 1.3, below](#) for ~~registration as a~~ SwapClear Transaction; and
- (b) each party to the transaction is either a SwapClear Dealer or a SwapClear Clearing Member (including an SCM Branch),

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

**4.4.1.2 SwapClear Product Eligibility Criteria for a SwapClear Transaction**

- (a) Vanilla interest rate swaps with constant notional principal having the characteristics set out in the table below<sup>6</sup>:

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Vanilla interest rate swaps with constant notional principal	Sterling (GBP)	GBP-LIBOR-BBA	Fixed vs. Floating	<del>Single currency</del>	18,275 days	0.01- <del>99,999</del> <del>999.9</del> <del>99.99</del>
		<del>GBP-WMBA-SONIA-COMPOUND</del>	<del>Fixed</del> Floating vs. Floating	Single currency	<del>10,970 days</del>	
		<del>GBP-WMBA-SONIA-COMPOUND</del>	FloatingFixed vs. Floating	Single Currency	<del>10,970 days</del>	<del>99.99</del> <del>9,999</del> <del>,999.</del> <del>99</del>
		See Article 7.1w (vii) for definition				
	US Dollar (USD)	USD-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01- <del>99,999</del> <del>999.9</del> <del>99.99</del>

<sup>6</sup>—References in this column are to the 2006 ISDA Definitions

<sup>6</sup> [References in this column are to the 2006 ISDA Definitions](#)



Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	
		See Article 7.1(ab)-(xii) for definition	Floating vs. Floating		99,999,999.99	
		USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	10,970 days	
		See article 7.1(ab)(xxxix) for definition				
	Euro (EUR)	EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 -days	0.01-99,999,999.99
		See Article 7.1(f)(vii) for definition	Floating vs. Floating		99,999,999.99	
		EUR-EURIBOR-Telerate				
		See article 7.1(f)(ii) for definition				
		EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	10,970 days	Single currency	
		See Article 7.1(f)-(viii) for definition				
	Australian Dollar (AUD)	AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999.99
		See Article 7.1(a)-(iv) for definition	Floating vs. Floating			
		AUD-LIBOR-BBA				
		See Article 7.1(a)-(viii) for definition				
<a href="#">Vanilla interest rate swaps with constant notional principal</a>	Canadian Dollar (CAD)	CAD-BA-CDOR	Fixed vs. Floating	Single currency	10,970 -days	0.01-99,999,999.99

Vanilla interest rate swaps with constant notional principal

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	
		See Article 7.1(b)-(ii) for definition	Floating vs. Floating			
		<del>CAD-LIBOR-BBA</del>				
		See Article 7.1(b)-(viii) for definition				
		CAD-CORRA-OIS-COMPOUND	<del>Floating</del> Fixed vs. Floating	Single currency	<del>736</del> 750 days	0.01- <del>99.99</del> 9.999 .99
		See Article 7.1(b)-(xii) for definition				
	Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99.999,999,999.99
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			-
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99.999,999,999.99
		See Article 7.1(e)-(i) for definition	Floating vs. Floating			
		DKK-CIBOR2-DKNA13				
		See Article 7.1(e)-(ii) for definition				
	Hong Kong Dollar (HKD)	HKD-HIBOR-HIBOR=	Fixed vs. Floating	Single currency	3670 days	0.01-99.999,999,999.99
		See Article 7.1(g)-(ii) for definition	Floating vs. Floating			
		HKD-HIBOR-HKAB				
		See Article 7.1(g)-(iii) for definition				
		HKD-HIBOR-ISDC				

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
		See Article 7.1(g)-(i) for definition				
	Hungarian Forint (HUF)	HUF - BUBOR-Reuters	FIXED vs. FLOAT	Single currency	3670 days	1-10,000,000,000,000
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	Japanese Yen (JPY)	JPY-LIBOR-BBA	Fixed vs. Floating	Single currency	14620 days	1-10,000,000,000,000
		See Article 7.1(l)-(iv) for definition	Floating vs. Floating			
	New Zealand Dollar (NZD)	NZD-BBR-Telerate	Fixed vs. Floating	Single currency	5495 days	0.01-99,999,999.99
		See Article 7.1(l)-(iii) for definition	Floating vs. Floating			
	<del>New Zealand Dollar (NZD)</del>	NZD-BBR-FRA	Fixed vs. Floating	Single currency	5495 days	<del>0.01-99,999,999.99</del>
		See Article 7.1(p)-(iii) for definition	Floating vs. Floating			
	Norwegian Krone (NOK)	NOK-NIBOR-NIBR	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999.99
		See Article 7.1(q)-(i) for definition	Floating vs. Floating			
	Singapore Dollar (SGD)	<del>SGD-SOR-Reuters</del> <u>SGD-SOR-Reuters</u>	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99
		See Procedure 2C.7.1.8.12-1(v)- <u>a)(xxii)</u> for definition	Floating vs. Floating			
		SGD-SOR-VWAP	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99

Instrument	Acceptable Currencies	Acceptable Indices <sup>6</sup>	Types		Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
		See Article 7.1(t) <del>(i)</del> <del>(ii)</del> for definition	Floating vs. Floating			
	Swedish Krona (SEK)	SEK-STIBOR-SIDE	Fixed vs. Floating	Single currency	10,970 -days	0.01-99,999,999.99
		See Article 7.1(x) <del>(i)</del> for definition	Floating vs. Floating			
	Swiss Franc (CHF)	CHF-LIBOR-BBA	Fixed vs. Floating	Single currency	10,970 -days	0.01-99,999,999.99
		See Article 7.1(y) <del>(i)</del> <del>(ii)</del> for definition	<a href="#">Floating vs. Floating</a>			
		CHF-TOIS_OIS_CO MPOUND	Fixed vs. Floating	Single currency	<del>7367</del> 50 days	
		See Article 7.1(y) <del>(i)</del> <del>(iv)</del> for definition	<del>Floating vs. Floating</del>			
	Polish Zloty(PLN)	PLN	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99
		WIBOR-WIBO				
		See Article 7.1r (i) for definition	FLOAT vs. FLOAT			
	South African Rand (ZAR)	ZAR	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999.99
		JIBAR-SAFEX				
		See Article 7.1v (i) for definition	FLOAT vs. FLOAT			

- (b) Variable notional [interest rate](#) swaps having the characteristics set out in the table below:

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Article 7.1 of the 2000 ISDA Definitions and Article 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)
Variable Notional Swap	USD	USD-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	USD	USD-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
<del>Variable Notional Swap</del>	<del>USD</del>	<del>USD-LIBOR-BBA</del>	<del>Zero Coupon Swap</del>	<del>Single currency</del>	<del>18,275 Days</del>	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
<del>Variable Notional Swap</del>	<del>EUR</del>	<del>EUR-LIBOR-BBA</del>	<del>Zero Coupon Swap</del>	<del>Single currency</del>	<del>18,275 Days</del>	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	EUR	EUR-EURIBOR-REUTERS	Basis Swap	Single currency	18,275 Days	
<del>Variable Notional Swap</del>	<del>EUR</del>	<del>EUR-EURIBOR-REUTERS</del>	<del>Zero Coupon Swap</del>	<del>Single currency</del>	<del>18,275 Days</del>	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Interest Rate Swap	Single currency	18,275 Days	
Variable Notional Swap	GBP	GBP-LIBOR-BBA	Basis Swap	Single currency	18,275 Days	
<del>Variable Notional Swap</del>	<del>GBP</del>	<del>GBP-LIBOR-BBA</del>	<del>Zero Coupon Swap</del>	<del>Single currency</del>	<del>18,275 Days</del>	

(c) Forward [interest](#) rate agreements having the characteristics set out in the table below<sup>2</sup>:

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	
Forward Rate Agreement	AUD	AUD-BBR-BBSW	Fixed or floating	Single-currency	740 days	740 days		M i n i n u r a r c M a x i n u r H A T e r s ( I a y s )

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i m u m  a r c h  M a x i m u m  H A  T e r m s  ( M a y s )
								2 2 m 5 7



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity
								3 M 7 M 4 *

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity
								m 7 ± 5 9

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity

m θ  
7  
6

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i n u r a r c M a x i n u r H A T e r r s ( I a y s )
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	
Forward Rate Agreement	AUD	AUD-LIBOR-BBA	Fixed floating	Single-currency	740 days	740 days		M i n i m u m a n d a t e M a x i m u m H A T e r m s ( I n d e x e s )

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i m u m a r c h M a y i n t e r s ( I a y s )
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i n u r a r c M a x i n u r H A T e r r s ( I a y s )
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
<div style="position: absolute; right: 0; top: 0; font-size: 8px; text-align: center;">                     M i n i m u m a n d a t e M a x i m u m F R A T e n o r s ( I n d e x e s )                 </div>							

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	
Forward Rate Agreement	CAD	CAD-BA-CDOR	Fixed floating	Single-currency	740 days	± M m i 7 R		

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i n u r a r c M a x i n u r H A T e r r s ( I a y s )

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	
Forward Rate Agreement	CAD	CAD-LIBOR-BBA	Fixed floating	Single-currency	740 days		± M w i 7 R	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i m u m a n d a t e M a x i m u m H A T e r m s ( M a y s )

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
<div style="position: absolute; right: 0; top: 0; font-size: 8px; text-align: center;">                     M i n i m u m a n d a t e M a x i m u m H A T e r m s ( I n d e x e s )                 </div>							

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i m u m  a r c h M a y i n t e r s ( M a y s )

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
<div style="position: absolute; right: 0; top: 0; writing-mode: vertical-rl; transform: rotate(180deg); font-size: 8px;">                     M i n i m u m a n d a t e M a x i m u m H A T e r m s ( M a y s )                 </div>							

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	CHF	CHF-LIBOR-	Fixed v	Single	740 days	1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 12m	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		BBA	floating	currency		6m, 7m, 8m, 9m, 10, 11m, 1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>	<b>FRA Tenors</b>
Forward Rate	CZK	CZK-PIBOR-	Fixed v	Single	740 days		1w, 2w, 1m, 2m, 3m, 6m, 9m,



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		PRBO	floating	currency		1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	DKK	DKK-CIBOR2-	Fixed v	Single	740 days	1w, 1m, 2m, 3m, <u>4m, 5m</u>	

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>	<b>FRA Tenors</b>
Agreement		DKNA13	floating	currency			6m, 9m, 1y



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	EUR	EUR-LIBOR-	Fixed v	Single	1105 days	1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 12m	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		BBA	floating	currency		6m, 7m, 8m, 9m, 10m, 11m, 1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>	<b>FRA Tenors</b>
Forward Rate	EUR	EUR-EURIBOR	Fixed v -	Single	1105 days		1w, 2w, 1m, 2m, 3m, 6m, 7m, N

<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>	<b>FRA Tenors</b>
Agreement		REUTERS	floating	currency			8m, 9m, 1y

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	GBP	GBP-LIBOR-	Fixed v	Single	1105 days	1w,2w 1m,2m,3m,4m,5m,7	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		BBA	floating	currency		6m, 7m, 8m, 9m, 10m, 11m, 1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Forward Rate	HUF	HUF-BUBOR-	Fixed v	Single	740 days	1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m,	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		REUTERS	floating	currency		1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	JPY	JPY-LIBOR-	Fixed v	Single	1105 days	1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m,	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		BBA	floating	currency		1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Forward Rate	NOK	NOK-NIBOR-	Fixed v	Single	740 days	1w, 1m, 2m, 3m, <a href="#">4m</a> , <a href="#">5m</a> , 6m, <a href="#">7m</a> , <a href="#">8m</a> , <a href="#">9m</a> , <a href="#">10m</a> , <a href="#">11m</a> ,	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		NIBR	floating	currency		<a href="#">1y</a>	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	
Forward Rate Agreement	NZD	NZD-BBR-FRA	Fixed floating	Single-currency	740 days	± M m i 7 R		



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
<div style="position: absolute; right: 0; top: 0; writing-mode: vertical-rl; transform: rotate(180deg); font-family: monospace; font-size: 10px; line-height: 1;">                     M i r r i r u r a r c M a x i r u r H H A T e r r s ( I a y s )                 </div>							

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
<div style="position: absolute; right: 0; top: 0; font-size: 10px; line-height: 1.2;">                     M i n i m u m a n d a t e M a x i m u m H e a d T e r m s ( I n d e x e s )                 </div>							

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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<b>Instrument</b>	<b>Acceptable Currencies</b>	<b>Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)</b>	<b>Types</b>	<b>Single currency</b>	<b>Maximum Residual Term</b>	<b>Notional Amount (Min - Max of the relevant currency unit)</b>	<b>FRA Tenors</b>
Forward Rate	PLN	PLN	– Fixed v	Single	740 days		1w, 2w, 1m, 3m, 6m, 9m, 1y

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		WIBOR_WIBO	floating	currency			



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	SEK	SEK-STIBOR-	Fixed v	Single	740 days		1w, 1m, 2m, 3m, 6m, 9m, 1y

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		SIDE	floating	currency			

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit)	FRA Tenors
Forward Rate	USD	USD-LIBOR-	Fixed v	Single	1105 days	1w, 2w, 1m, 2m, 3m, 4m, 5m, 6m, 7m, 8m, 9m, 10m, 11m, 12m	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
Agreement		BBA	floating	currency		6m, 7m, 8m, 9m, 10m, 11m, 1y	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors



Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	
Forward Rate Agreement	ZAR	ZAR JIBAR SAFEX	Fixed ——— v floating	Single-currency	740 days		± M m i 7 R	

Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors
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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	Maturity
								Maturity

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Instrument	Acceptable Currencies	Acceptable Rate Options (as further set out in Section 7.1 of the 2006 ISDA Definitions)	Types	Single currency	Maximum Residual Term	Notional Amount (Min - Max of the relevant currency unit	FRA Tenors	M i n i n u r a r c M a x i n u r H A T e r r s ( I a y s )
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(d) Vanilla inflation rate swaps with constant notional principal having the characteristics set out in the table below:

<u>Instrument</u>	<u>Acceptable Currencies</u>	<u>Acceptable Indices<sup>7</sup></u>	<u>Types</u>		<u>Maximum Residual Term</u>	<u>Notional Amount (Min - Max of the relevant currency unit)</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>GBP</u>	<u>GBP – Non-revised Retail Price Index (UKRPI)</u>  <u>See Annex A (oo)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>18,275 Days</u>	<u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>USD</u>	<u>USD Non-revised Consumer Price Index – Urban (CPI-U)</u>  <u>See Annex A (pp)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u>	<u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>EUR</u>	<u>FRC – Excluding Tobacco-Non-Revised Consumer Price Index</u>  <u>See Annex A (l)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u>	<u>0.01-99,999,999,999.99</u>
<u>Vanilla inflation rate swaps with constant notional principal</u>	<u>EUR</u>	<u>EUR – Excluding Tobacco-Non-revised Consumer Price Index</u>  <u>See Annex A (j)(i) for definition</u>	<u>Fixed vs. Floating</u>	<u>Single currency</u>	<u>10,970 Days</u>	<u>0.01-99,999,999,999.99</u>

<sup>7</sup> References in this column are to the 2008 ISDA Inflation Derivatives Definitions

**3.2. Additional SwapClear Product Eligibility Criteria**

**3.4.2.1** A contract must also meet the following additional criteria to be eligible as a SwapClear Transaction:

**3.2.1.1 Day Count Fractions**

(See Article 4.16 of the ~~“Annex to 2000 ISDA Definitions (June 2000 Version)”~~, Article 4.16 of the ISDA 2006 ~~Definitions for~~ Definitions for definition)

The Clearing House will only accept the following day count fractions for vanilla interest rate swaps with constant notional principal and variable notional swaps. Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

**Day Count Fractions using the ISDA 2000 Definitions:**

<u>Day Count Fraction</u>	<u>MarkitWire/ FpML Code</u>
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/365 (or Actual/Actual)	ACT/365.ISDA
Actual/Actual (ISMA)	ACT/ACT.ISMA

**Day Count Fractions using the ISDA 2006 Definitions:**

<u>Day Count Fraction</u>	<u>MarkitWire/ FpML Code</u>
30/360 (or Bond Basis)	30/360
30E/360 (or Eurobond Basis)	30E/360
Actual/360	ACT/360
Actual/365 (Fixed)	ACT/365.FIXED
Actual/Actual	ACT/ACT.ISDA
30E/360 (ISDA)	30E/360.ISDA
Actual/Actual (ICMA)	ACT/ACT.ICMA

The Clearing House will only accept the following day count fractions for Forward Rate Agreements Day Count Fractions are applied to each deal leg independently, as communicated via the affirmed MarkitWire trade detail:

**Day Count Fractions using the ISDA 2006 Definitions:**

<u>Day Count Fraction</u>	<u>MarkitWire/ FpML Code</u>	<u>Currency</u>
Actual/365 (Fixed)	ACT/365.FIXED	<del>CAD, AUD, NZD,</del> PLN, <del>ZAR,</del> GBP
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK,

<u>Day Count Fraction</u>	<u>MarkitWire/ FpML Code</u>	<u>Currency</u>
		SEK, CZK, HUF
<u>Fraction</u>		<u>SWIFT Code</u>
Actual/365, Actual/Actual .....		<a href="#">ACT/365</a>
(See Article 4.16(b) for definition)		<del>ACT/365</del>
Actual/365 (Fixed) .....		<a href="#">AFI/365</a>
(See Article 4.16(c) for definition)		<del>AFI/365</del>
Actual/360 .....		<a href="#">ACT/360</a>
(See Article 4.16(d) for definition)		<del>ACT/360</del>
30/360,360/360, Bond Basis .....		360/360
(See Article 4.16(e) for definition)		
30E/360 .....		30E/360
(See Article 4.16(f) for definition)		

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### 2.1.2 *Business Day Conventions*

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12-(i) of the ISDA 2000 Definitions and Article 4.12 (i) of the ISDA 2006 Definitions for definition)

Modified Following (see Article 4.12-(ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)

Preceding (see Article 4.12-(iii) of the ISDA 2000 Definitions and Article 4.12-(iii) of the ISDA 2006 Definitions for definition)

For [inflation swaps and](#) vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

fixed period end dates and the termination date

float period end dates and the termination date

### 32.1.3 *Minimum and Maximum Residual Term of the Trade (Termination date – Today)*

Trades in respect of vanilla interest rate swaps with constant notional principal and variable notional swaps are subject to a minimum and maximum Residual Term on the day they are received by SwapClear.

Minimum Residual Term of trade:

Termination date - Today  $\geq$  1 + currency settlement lag

where currency settlement lag is:

1 day for EUR, USD, GBP and CAD denominated trades

2 days for JPY, CHF, AUD, DKK, HKD, NZD, SEK, NOK, PLN, ZAR, SAD, HUF & CZK denominated trades

Maximum Residual Term of trade:

Termination date ~~--~~ Today <= 3,670 days for DKK, HKD, ~~NZD~~, NOK, PLN, ZAR, ~~SAD~~~~SGD~~, HUF & CZK (10 years)

Termination date ~~--~~ Today <= 5,495 days for NZD

Termination date - Today <= 10,970 days for AUD, CAD, CHF & SEK (30 years)

Termination date – Today <= 14,620 days for JPY (40 years)

Termination date – Today <= 18,275 days for GBP, EUR & USD (50 years)

Maximum Residual Term to Maturity for Forward Rate Agreements

The maximum residual term to maturity for forward rate agreements is as follows:

<u>Currency</u>	<u>Maximum Residual Term to Maturity</u>
EUR, JPY, USD, GBP .....	1105 days (3 years)
<del>AUD, CAD</del> , CHF, DKK, NOK, <del>NZD</del> , PLN, SEK, <del>ZAR</del> , CZK, HUF .....	740 days (2 years)

3

The Clearing House will accept inflation swaps for registration: (a) in the case of uninterpolated indices, up to the end of the month prior to the final Reference Month; and (b) in the case of interpolated indices, up to the end of the final Reference Month.

2.1.4 *Designated Maturity*

The Designated Maturity must be no less than one month and no more than twelve months. The Clearing House will, excepting stub periods, only accept a Designated Maturity that is a whole calendar month.

3.2.1.5 *Calculation Periods*

(See Article 4.13 of the ISDA 2000 Definitions and Article 4.13 of the ISDA 2006 Definitions for definition.)

For vanilla interest rate swaps with constant notional principal and variable notional swaps the Clearing House will only accept non-~~standard~~ Calculation Periods (~~“(“stub periods”)~~) at either the start or end of the contract. Transactions with stub periods at both the start and end of the transaction will not be eligible as SwapClear Transactions.

For variable notional swaps the stub rate should be detailed either as a percentage (i.e. 5.5%), per cent., an interpolation (i.e. 1 month/~~3 months~~ 3 months) or as a designated maturity (i.e. 1 month). Stub Rates within the Final Stub are calculated via interpolation or as a designated maturity.

For interpolated coupons, payment dates must fall between the rolled dates, according to the Modified Following business day convention, of the specified designated maturities. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

The minimum stub period of a variable notional swap accepted by SwapClear is 1 + Currency Settlement Lag. The minimum stub rate tenor must be  $\geq 1$  week for IRS and basis swap and  $\geq 1$  month for zero coupon swaps.

SwapClear also calculates floating periods subject to IMM settlement dates as per ISDA definitions.

For Forward Rate Agreements non standard designated maturities are accepted subject to the following criteria:

Interpolated period:

The maturity date must fall between the rolled dates, according to the business day convention, of the specified designated tenors. Where this does not occur and extrapolation would be required, SwapClear will reject the trade.

SwapClear will interpolate based upon the closest indices for interpolation

Non interpolated period:

SwapClear will only support the closest index tenor to the calculated period.





**~~SCHEDULE TO THE EQUITY CLEAR REGULATIONS~~**

**Part A**

**SCHEDULE 3**  
**EQUITYCLEAR**

**PART A**  
**EQUITYCLEAR (EQUITIES) CONTRACT TERMS**

The terms of an EquityClear Contract shall comprise the Economic Terms and the General Terms.

1. The Economic Terms of an EquityClear (Equities) Contract shall comprise:
  - (a) Buyer;
  - (b) Seller;
  - (c) Security (type and number);
  - (d) Price;
  - (e) Settlement date.
2. The General Terms shall comprise such further and other provisions as may be set out in this Part A and the Procedures.
3. Obligations regarding taxes and corporate events shall be as set out in the Procedures.
4. Economic Terms will be as set out in the information received by the Clearing House from the relevant ATP in respect of the EquityClear (Equities) ATP Match or EquityClear Novation Transaction giving rise to the EquityClear (Equities) Contract except that:

~~in~~In respect of an EquityClear (Equities) ATP Match or EquityClear Novation Transaction under Regulation ~~62A~~68 or ~~62B~~Regulation 69 respectively, where such information specifies the EquityClear Clearing Members as the:

~~(1)~~(i) Buyer under the EquityClear (Equities) ATP Match or EquityClear Novation Transaction, with the other party as Seller, the Clearing House will be Seller under the EquityClear (Equities) Contract; or

~~(2)~~(ii) Seller under the EquityClear (Equities) ATP Match or EquityClear Novation Transaction, with the other party as Buyer, the Clearing House will be the Buyer under the EquityClear (Equities) Contract.
5. **Third Party Rights**

A person who is not a party to an EquityClear (Equities) Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of an EquityClear (Equities) Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.
6. **Regulations**

Each EquityClear (Equities) Contract shall be subject to the Regulations, which shall form a part of its terms.

**7. Governing Law**

Each EquityClear (Equities) Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English courts.

**8. EquityClear (Equities) ATP Matches and EquityClear Novation Transactions**

Without prejudice to these Regulations or the Procedures, the relevant ATP Market Rules shall apply in respect of EquityClear (Equities) Contracts, and such EquityClear (Equities) Contracts shall be settled in accordance with the ATP Market Rules, the settlement rules of the relevant Approved EquityClear Settlement Provider, and these Regulations and Procedures, including but not limited to the relevant provisions in respect of suspension of settlement, for instance on the insolvency of the issuer of the relevant securities, or otherwise. Where there is any conflict between any term of any ATP Market Rule or any term of the settlement rules of any Approved EquityClear Settlement Provider, and the Regulations and Procedures of the Clearing House, the latter shall prevail.

**SCHEDULE TO THE EQUITY CLEAR REGULATIONS**

**Part B**

**PART B**  
**EQUITYCLEAR ELIGIBLE (EQUITIES)**

Such securities, as are prescribed, for these purposes from time to time by the Clearing House, and published by the Clearing House, in accordance with the Procedures.

**SCHEDULE TO THE EQUITY CLEAR REGULATIONS**

**Part C**

**PART C**  
**EQUITYCLEAR (ccCFD) CONTRACT TERMS**

The terms of an EquityClear (ccCFD) Contract shall include these EquityClear (ccCFD) Contract Terms which shall comprise:

- (4) (1) Interpretation section;
- (2) (2) Economic Terms; and
- (3) (3) Standard Terms – (i) Specific Standard Terms and (ii) General Standard Terms.

**1. Interpretation Section**

1.1 Save as otherwise specified herein, words and phrases defined elsewhere in the General Regulations, Procedures and Default Rules of the Clearing House (together, and as amended from time to time, the "**Rulebook**") shall have the same meanings in these EquityClear (ccCFD) Contract Terms.

1.2 In the event of any inconsistency between these LCH EquityClear (ccCFD) Contract Terms and the Rulebook, the Rulebook will prevail, unless expressly otherwise specified.

1.3 In these EquityClear (ccCFD) Contract Terms, the following terms have the following meanings:

"**Benchmark Interest Rate**" means the relevant interbank cash interest rate applicable to the Relevant Currency;

"**Contract Date**" means the date on which the EquityClear (ccCFD) Contract is first entered into by the Clearing House;

"**Contract Quantity**" means the number of Units bought or sold under the EquityClear (ccCFD) Contract;

"**Relevant ATP**" means the ATP on which the EquityClear ATP Match underlying this EquityClear (ccCFD) arises;

"**Relevant Currency**" means the currency in which an EquityClear (ccCFD) Contract is traded and will be settled, as identified in the Economic Terms;

"**Spread Charge**" means the daily cost charged by LCH for holding an open position in an EquityClear (ccCFD) Contracts;

"**Underlying Exchange**" means the exchange on which an Underlying Security is listed;

"**Underlying Instrument**" means the Underlying Security, index, commodity, currency pair or other asset or product that is the subject matter of an EquityClear (ccCFD) Contract;

"**Underlying Security**" Means the equity security listed by the Underlying Exchange and identified as the Underlying Instrument in the Economic Terms;



“Unit” means the minimum quantity of the relevant Underlying Instrument may be bought or sold under an EquityClear (ccCFD) Contract.

## 2. Economic Terms

2.1 The Economic Terms of a EquityClear (ccCFD) Contract shall comprise details of:

- (a) Buyer
- (b) Seller
- (c) Price
- (d) Contract Quantity
- (e) Relevant Currency
- (f) Underlying Instrument
- (g) Unit

2.2 The Economic Terms of an EquityClear (ccCFD) Contract will be as set out in the information received by the Clearing House from the relevant ATP in respect of an EquityClear ATP Match except that (a) where such information specifies an EquityClear Clearing Member as the buyer, the Clearing House shall be the seller; and (b) where such information specifies an EquityClear Clearing Member as the seller, the Clearing House shall be the buyer.

## 3. Specific Standard Terms

### 3.1 Contracts for Difference on Equities

<b>Type of Contract</b>	Equity Contract for Difference
<b>Description</b>	Contract for Difference on the Underlying Security
<b>Unit</b>	One Unit represents 1 share of the Underlying Security. Follows Underlying Exchange electronic order book price format
<b>Minimum contract size</b>	One Unit
<b>Relevant Currency</b>	The currency in which the Underlying Security is denominated
<b>Trading hours</b>	7.30 am to 5.30pm <del>30 pm</del> GMT
<b>Daily settlement price</b>	The price is equal to that of the closing price as determined by Clearing House
<b>Contract Standard</b>	Daily margining based on Daily Settlement Price <del>Closure of the contract is performed by an equal and</del>

~~opposite transaction.~~

Closure of the contract is performed by an equal and opposite transaction.

### **Benchmark Interest Rate**

Seller: Receives Benchmark Interest Rate (or Relevant Currency equivalent)

~~Buyer: Pays Benchmark Interest Rate (or Relevant Currency equivalent)~~

Buyer: Pays Benchmark Interest Rate (or Relevant Currency equivalent)

### **Spread Charge**

Seller: ~~Pays or receives daily Spread Charge~~

~~Buyer: Pays or receives daily Spread Charge~~

Buyer: Pays or receives daily Spread Charge

### **Financing Amount**

The net amount of the Benchmark Interest Rate and the Spread Charge paid or received daily

### **Expiry**

N/A

### **Cash Equivalent Dividend Payment**

If a dividend is declared in respect of the Underlying Security of an EquityClear (ccCFD) Contract, then the Seller must pay to the Buyer an amount calculated in accordance with the Rulebook and payable at the time specified in the Rulebook.

~~UK Equities~~

~~Seller: Net cash equivalent paid at the applicable rate.~~

~~Buyer: Net cash equivalent received at the applicable rate.~~

UK Equities

Seller: Net cash equivalent paid at the applicable rate.

Buyer: Net cash equivalent received at the applicable rate

## 4. General Standard Terms

The following General Standard Terms apply to all EquityClear (ccCFD) Contracts:

### 4.1 Term

This EquityClear (ccCFD) Contract shall be of indefinite duration, subject to termination in accordance with the Rulebook.

### 4.2 Daily Settlement

This EquityClear (ccCFD) Contract shall be subject to daily settlement in accordance with the Rulebook.

### 4.3 **Lack of Daily Settlement Price**

If no Daily Settlement Price is available, for whatsoever reason, the Clearing House may, in consultation with the Relevant ATP, fix an alternative at a price determined by them, in their absolute discretion, as being consistent with cash market values of the Underlying Instrument.

### 4.4 **Financing Amount**

A daily Financing Amount will be calculated and payable daily by reference to the net number of those open EquityClear (ccCFD) Contracts held by the Buyer and Seller in its House account and Client account. The Financing Amount will be calculated in arrears commencing 3 days from the trade date.

The daily Financing Amount is based on two components: (i) the Benchmark Interest Rate; and (ii) the Spread Charge. Holders of long positions pay the daily Benchmark Interest Rate and pay or receive the Spread Charge. Holders of short positions receive the daily Benchmark Interest Rate and pay or receive the Spread Charge. At the end of each day, the daily Financing Amount of each position is calculated, using the following formula:

Long CFD (adjustable by trade source and currency)

$$F = n \times p \times (L \text{ +/- CMLs}) \times (d / b)$$

Short CFD (adjustable by trade source and currency)

$$F = n \times p \times (L \text{ +/- CMss}) \times (d / b)$$

Where:

F	is the daily Financing Amount per ISIN paid to or received from the Buyer or Seller.
n	is the end of day position quantity per ISIN.
p	is the end of day daily price
L	is the applicable Benchmark Rate (or Relevant Currency equivalent).
CMLs CMss	or is the applicable long (or short) Spread Charge charged or paid by the Buyer or Seller. Note, the short Spread Charge also includes the stock borrow rate for equities. Can be positive or negative.
d	is the number of days position is financed for, (between current business day and next cost of carry run) using a currency calendar. For example, one for overnight calculations and 3 days for standard weekends.
b	is the standard days basis for the settlement currency. For UK 365 days is used.

#### 4.5 ***Third Party Rights***

A person who is not a party to an EquityClear (ccCFD) Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of an EquityClear (ccCFD) Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

#### 4.6 ***Regulations***

Each EquityClear (ccCFD) Contract shall be subject to the Regulations, which shall form a part of its terms.

#### 4.7 ***Governing Law***

Each EquityClear (ccCFD) Contract shall be governed by, and construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the English ~~cour~~

~~SCHEDULE TO THE~~ [courts.](#)

**SCHEDULE 4**  
**LCH EN~~CLEAR~~EN~~CLEAR~~ OTC REGULATIONS**

**Part A**

**PART A**  
**LCH EN~~C~~LEAR OTC CONTRACT TERMS**

Where an LCH EnClear OTC Contract arises between the Clearing House and an LCH EnClear OTC Clearing Member pursuant to the Regulations and the terms of any agreement between them, the terms of a registered LCH EnClear OTC Contract shall include these LCH EnClear OTC Contracts Terms which shall comprise:

- (1) (1) Interpretation and Definitions;
- (2) (2) Economic Terms;
- (3) (3) Specific Standard Terms\*; and
- (4) (4) General Standard Terms

**Section 1**    **Section 1** Interpretation and Definitions: General

~~1.1~~ ~~[This section has been removed.]~~

~~1.2~~ 1.2 Words and expressions used in these LCH OTC EnClear OTC Contract Terms shall have the same meaning as in the General Regulations, Default Rules and Procedures of the Clearing House (together, and as amended from time to time, the "Regulations").

~~1.3~~ 1.3 The accidental omission to give any notice which may be required under the Regulations or Procedures for the amendment of these Contract Terms, or the non-receipt of any such notice by any LCH EnClear OTC Clearing Member shall not invalidate the amendment with which such notice is concerned.

~~1.4~~ 1.4 In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

1.5 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.

~~1.5~~ 1.6 Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.

~~1.6~~ ~~Subject to the Regulations and the Procedures, the Clearing House will use the relevant LCH EnClear OTC Contract Terms applicable to an LCH EnClear OTC Contract to calculate the amounts due under the LCH EnClear OTC Contract to, or from, the Clearing House in accordance with the Procedures.~~

~~4.7~~ ~~1.7~~ **"US Business Day"** means a day upon which banks in the United States of America are generally open to settle payments and for general business. **"UK Business Day"** means a day upon which banks in England and Wales are generally open to settle payments and for general business.

**~~Section 2~~ Section 2 Economic Terms**

~~2.4~~ ~~2.1~~ The Economic Terms of an LCH EnClear OTC Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding Eligible OTC Trade in respect of the terms designated as Economic Terms in this Schedule.

~~2.2~~ ~~2.2~~ It is part of the eligibility criteria for registration as an LCH EnClear OTC Contract that the particulars of an Eligible OTC Trade presented to the Clearing House must include matched information in respect of all such designated Economic Terms with the exception of 2.3(viii) which will be determined in accordance with the Procedures.

~~2.3~~ ~~2.3~~ The Economic Terms comprise:

- ~~(a)~~ ~~(a)~~ Fixed Rate Payer or seller;
- ~~(b)~~ ~~(b)~~ Floating Rate Payer or buyer;
- ~~(c)~~ ~~(c)~~ Contract;
- ~~(d)~~ ~~(d)~~ Contract Series;
- ~~(e)~~ ~~(e)~~ Quantity;
- ~~(f)~~ ~~(f)~~ Delivery Period (where applicable);
- ~~(g)~~ ~~(g)~~ Fixed Price or Traded Price (as the case may be);
- ~~(h)~~ ~~(h)~~ Floating Price (where applicable).

**PROVIDED, however, that**, as set out in Regulation ~~73B~~76 where the Eligible OTC Trade specifies an LCH EnClear OTC Clearing Member as the party paying the Fixed Price or being the seller (~~“(the “**First LCH EnClear OTC Clearing Member**”)~~”) with the other LCH EnClear OTC Clearing Member as the party paying the Floating Price or being the buyer (~~“(the “**Second LCH EnClear OTC Clearing Member**”)~~”) the Clearing House, in respect of each LCH EnClear OTC Contract it is party to pursuant to the corresponding Eligible OTC Trade, shall be (i) the party paying the Floating Price or the buyer to the First LCH EnClear OTC Clearing Member under the LCH EnClear OTC Contract; and (ii) the party paying the Fixed Price or seller to the Second LCH EnClear OTC Clearing Member under the LCH EnClear OTC Contract.

**~~Section 3~~ Section 3 Specific Standard Terms For LCH EnClear OTC Contracts**

[Sections 3.1 and 3.2 no longer in force]

**~~3.3~~ 3.3 LCH EnClear OTC Services: Energy Division**

The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade in the Energy Division of the LCH EnClear OTC Services.

<b>Section</b>	<b>Contract</b>
3.3A.....	No longer in force
3.3B.....	No longer in force
3.3C and 3.3D.....	OTC Emissions – EUAs
3.3C and 3.3E.....	OTC Emissions – CERs
3.3F.....	OTC Emissions – EUA Spot
3.3G.....	OTC Emissions – CER Spot
3.3H.....	OTC Emissions – EUA Options
3.3I.....	OTC Emissions – CER Options

~~3.3A~~ 3.3A *No longer in force*

~~3.3B~~ 3.3B *No longer in force*

~~3.3C~~ 3.3C LCH EnClear OTC Services: Energy

~~3.3C.1~~ 3.3C.1 Standard Terms: Additional Definitions

The following additional definitions shall apply to any LCH EnClear OTC Contract within the LCH EnClear OTC Services: Energy Division.

<b>Defined Term</b>	<b>Definition</b>
<b>Account</b>	An account maintained at the Registry pursuant to the Registry Regulation.
<b>CER</b>	A certified emissions reduction, as defined in the Directive, that may be used for determining compliance with emissions limitation commitments pursuant to and in accordance with the Scheme, excluding allowances generated by hydroelectric projects with a generating capacity exceeding 20MW.
<b>Commitment Period</b>	The commitment period reserve requirements set out



<b>Defined Term</b>	<b>Definition</b>
<b>Reserve</b>	in paragraphs 6 and 7 of the Annex to Decision 11 of the Meeting of the Parties to the UNFCCC (modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol), as amended from time to time.
<b>Compliance Period</b>	The first five-year period referred to in Article 11(2) of the Directive, namely 2008 to 2012 inclusive.
<b>Delivery Period</b>	The period beginning at 09.30 hours on the first business day following the last trading day and ending at 19.30 hours on the third business day following the last trading day.
<b>Directive</b>	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended from time to time.
<b>EUA or General Allowance</b>	An allowance to permit the emission of one tonne of carbon dioxide equivalent during the relevant period that has been issued by a competent authority pursuant to the Directive for the purposes of the Scheme.
<b>EUTL</b>	The independent transaction log provided for in Article 20(1) of the Directive.
<b>ITL</b>	The international transaction log established pursuant to paragraph 38 of the Annex to Decision 13 of the Conference of the Parties to the

<u>Defined Term</u>	<u>Definition</u>
	UNFCCC.
<b>ITL Operation</b>	The establishment and continuing functioning of the link between the ITL, the CITL, the relevant Registry or Registries and, where applicable, the UNFCCC Clean Delivery Mechanism Registry.
<b>LEBA Index</b>	The index as published daily by the London Energy Brokers Association.
<b>Registry</b>	The Union registry established pursuant to the Registry Regulations.
<b><u>Registry Regulation</u></b>	<u>The following, as applicable, and as amended from time to time:</u>  <u>(i) The European Commission Regulation No 920/2010 for a standardised and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council; and</u>
<del>Registry Regulation</del>	<del>The following, as applicable, and as amended from time to time:</del>  <del>(i) The European Commission Regulation No 920/2010 for a standardised and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision</del>

<b>Defined Term</b>	<b>Definition</b>
	<p><del>280/2004/EC of the European Parliament and of the Council, and</del></p> <p>(ii) <del>—</del> The European Commission Regulation No 1193/2011 establishing a Union Registry for the trading period commencing on 1 January 2013, and subsequent trading periods, of the Union emissions trading scheme pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision No 280/2004/EC of the European Parliament and of the Council and amending Commission Regulations (EC) No 2216/2004 and (EU) No 920/2010).</p>
<b>Scheme</b>	The scheme for transferring emissions allowances, including EUAs and CERS, established pursuant to the Directive and the Registry Regulation and as implemented by the national laws of EU member states.
<b>Suspension Event</b>	(i) The absence of ITL Operation; (ii) the suspension of the Scheme; or (iii) the inability of a party to perform its obligations under an LCH EnClear OTC Contract as a result of a breach or breaches of the Commitment Period Reserve in each of the member states in which that party maintains a Holding Account.
<b>UNFCCC</b>	The United Nations Framework Convention on Climate Change.

3.3C.2 *Standard Terms: Additional Provisions*~~(a)~~ (a) Suspension Event

If and to the extent that the performance of any LCH EnClear OTC Contract is frustrated by a Suspension Event, that event shall be deemed to be an event beyond the reasonable control of the parties for the purposes of **Regulation 2738** of the General Regulations and the Clearing House may act accordingly. In such circumstances, the Clearing House may, without limitation and acting in its sole discretion, issue directions such that the obligations of the Clearing Members under any affected LCH EnClear OTC Contract shall be fulfilled at such future time and by such means as the Clearing House may acting in its sole discretion determine.

~~(b)~~ (b) Abandonment of ITL Operation

Without prejudice to or limitation of any powers that the Clearing House may have under the General Regulations, if by official announcement of the European Commission or the UNFCCC or by joint announcement of those bodies it is established that ITL Operation will not be achieved during the Compliance Period, the Clearing House may invoice back such LCH EnClear OTC Contracts as are open at the relevant time. If and when LCH EnClear OTC Contracts are invoiced back in such circumstances, opposite contracts shall be effected and registered at the LEBA Index price published on the business day immediately preceding the day on which the official announcement referred to above is made. If such price is not available for whatever reason, or if in all the circumstances it would be unreasonable to use such price in the opinion of the Clearing House, opposite contracts shall be effected and registered at such other price as the Clearing House shall, acting in its sole discretion, reasonably determine.

~~(c)~~ (c) Exclusion of Liability

Without prejudice to the General Regulations, including without limitation those provisions of the General Regulations concerning liability, the Clearing House excludes all liability of any kind to the fullest extent possible in respect of any performance of or failure to perform an LCH EnClear OTC Contract that may be attributable to:

- ~~(i)~~ (i) the lack of availability, failure and/or malfunction of any system, device, software or hardware which forms part of the Scheme or which has been designed for use in connection with it;
- ~~(ii)~~ (ii) any act or omission by any third party in connection with the Scheme.

~~3.3D~~ 3.3D *Standard Terms: Basic Provisions – EUAs***Description**

Physically settled contracts for the forward delivery of EUAs.

<b>Unit of Trading</b>	One lot of 1000 EUAs.
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	Euros.
<b>Tick Size</b>	One euro cent (ten euros per lot).
<b>Reference Price for Daily Settlement</b>	LEBA EUA closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	LEBA EUA closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	One euro cent.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Annual December contract months ending December 2015.
<b>Business Days</b>	UK Business days plus the UK Bank Holiday at the end of May and the UK Bank Holiday in August.
<b>Expiry/Last Trading Date</b>	Contracts will expire at 18:00 on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.
<b>Settlement</b>	Physical delivery by the transfer of EUAs in accordance with the Procedures.
<b>Final Payment Date</b>	The business day following the last trading day.

~~3.3E~~ [3.3E](#) *Standard Terms: Basic Provisions – CERs*

<b>Description</b>	Physically settled contracts for the forward delivery of CERs.
<b>Nature of Contract</b>	A contract for the transfer of CERs as specified for that contract.

<b>Unit of Trading</b>	One lot of 1000 CERs.
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	Euros.
<b>Tick Size</b>	One euro cent (ten euros per lot).
<b>Reference Price for Daily Settlement</b>	LEBA CER closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	LEBA CER closing price or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	One euro cent.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Annual December contract ending December 2015.
<b>Business Days</b>	UK Business days plus the UK Bank Holiday at the end of May and the UK Bank Holiday in August.
<b>Expiry/Last Trading Date</b>	Contracts will expire at 18:00 on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.
<b>Settlement</b>	Physical delivery by the transfer of CERs in accordance with the Procedures.
<b>Final Payment Date</b>	The business day following the last trading day.

**3.3F** 3.3F *Standard Terms: Basic Provisions EUA Spot Contract*

<b>Description</b>	Physically settled day ahead spot contract for the delivery of EU Allowances issued in accordance with the terms of Directive 1003/87/EC.
<b>Lot Size</b>	One lot is equal to 1000 EU Allowance units. A unit being the right to emit 1 tonne of CO2 equivalent.
<b>Minimum Contract Size</b>	One Lot

<b>Currency</b>	Euros (€)
<b>Minimum Tick Size</b>	One Euro cent per tonne, €0.01/tonne
<b>Settlement Price</b>	LEBA EUA closing price or such or other price as may be prescribed by LCH.Clearnet from time to time.
<b>Contract Series</b>	Rolling day ahead spot contract for business days only. Contracts for Monday delivery are made available for trading on the Friday prior to delivery.
<b>Expiry Day</b>	Contracts will expire at 18:00 on the trading day.
<b>Delivery</b>	Delivery is fulfilled by the transfer, in accordance with the Procedures, of EUAA from the Account of the Seller to the Account of LCH.Clearnet Ltd and from there to the Account of the Buyer.

~~3.3G~~ 3.3G *Standard Terms: Basic Provisions CER Spot Contract*

<b>Description</b>	Physically settled day ahead spot contract for the delivery of Certified Emissions Reductions issued pursuant to Article 12 of the Kyoto Protocol that may be used for determining compliance with emissions limitation commitments in accordance with the EU Emissions Trading Scheme. Excluding allowances generated by hydroelectric projects with a generating capacity exceeding 20MW.
<b>Lot Size</b>	One lot is equal to 1000 Certified Emission Reductions units. A unit being the right to emit 1 tonne of CO2 equivalent.
<b>Minimum Contract Size</b>	One lot
<b>Currency</b>	Euros (€)
<b>Minimum Tick Size</b>	One Euro cent per tonne, €0.01/tonne
<b>Settlement Price</b>	LEBA CER closing price or such or other price as may be prescribed by LCH.Clearnet from time to time.
<b>Contract Series</b>	Rolling day ahead spot contract for business days only. Contracts for Monday delivery are made available for trading on the Friday prior to delivery.
<b>Expiry Day</b>	Contracts will expire at 18:00 on the trading day.
<b>Delivery</b>	Delivery is fulfilled by the transfer, in accordance with the Procedures, of Certified Emissions Reductions from the Account of the Seller to the Account of LCH.Clearnet Ltd and from there to the Account of the

Buyer.

### 3.3H 3.3H *Standard Terms: Basic Provisions – EUA Options Contract*

<b>Description</b>	<p>Physically settled Premium Paid Option on the underlying EUA Forward contract for the corresponding December expiry.</p> <p>These contracts, if <u>“in the money”</u> expire into their underlying EUA Forward contracts with a traded price equal to the Strike Price (see below)</p>
<b>Lot size</b>	1000 tonnes
<b>Currency</b>	Euro
<b>Pricing</b>	Euro and Euro cents per metric tonne
<b>Minimum tick</b>	€0.01 per tonne
<b>Option Type</b>	<p>Options are European style and will be automatically exercised on the expiry day if they are <u>“in the money”</u>. If an option is <u>“out of the money”</u> it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.</p>
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last trading day</b>	<p>Contracts will expire at 18:00 hours UK time 3 business days prior to the last Monday of the options contract month.</p> <p>Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be 3 days prior to the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be 3 days prior to the third last Monday of the contract month.</p>
<b>Expiry</b>	<p>18:00 hours UK time on the last trading day</p> <p>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in the money" when compared to the relevant reference price.</p> <p><b>Members are not permitted to override automatic exercise settings or manually enter exercise</b></p>



**instructions for this contract.**

The reference price will be a price in Euros and Euro cents, equal to the daily settlement price for the December EUA Forward contract of the corresponding year.

For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying EUA forward contract.

**Contract series**

Four rolling month contracts (March, June, September and December) plus an additional two December contracts

All option contracts expire into the underlying December contract of the corresponding year.

**Strike Price**

Fifty strike prices in increments of €0.50 above and below the "at the money" strike price in all contract series.

Where the "at the money" strike price of the underlying commodity moves, additional strikes will be added each business day

**Margin**

Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.

**Business Days**

UK business days

**3.3I 3.3I Standard Terms: Basic Provisions – CER Options Contract****Description**

Physically settled Premium Paid Option on the underlying CER Forward contract for the corresponding December expiry.

These contracts, if "in the money" expire into their underlying CER Forward contracts with a traded price equal to the Strike Price (see below)

**Lot size**

1000 tonnes

**Currency**

Euro

**Pricing**

Euro and Euro cents per metric tonne

**Minimum tick**

€0.01 per tonne

**Option Type**

Options are European style and will be automatically exercised on the expiry day if they are "in the money". If an option is "out of the money" it will

expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.

**Option Premium**

The Premium is paid at the time of purchase.

**Last trading day**

Contracts will expire at 18:00 hours UK time 3 business days prior to the last Monday of the options contract month.

Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be 3 days prior to the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be 3 days prior to the third last Monday of the contract month.

**Expiry**

18:00 hours UK time on the last trading day

Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.

Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.

The reference price will be a price in Euros and Euro cents, equal to the daily settlement price for the December EUA Forward contract of the corresponding year

For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying EUA forward contract.

**Contract series**

Four rolling month contracts (March, June, September and December) plus an additional two December contracts.

All option contracts expire into the underlying December contract of the corresponding year.

**Strike Price**

Fifty strike prices in increments of €0.50 above and below the "at-the-money" strike price in all contract series.

Where the “at the money” strike price of the underlying commodity moves, additional strikes will be added each business day

**Margin**

Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.

**Business Days**

UK business days

**3.4 3.4 LCH EnClear OTC Services: Freight Division**

The following terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade in the Freight Division of the LCH EnClear OTC Service.

**3.4.1 Standard Terms: Additional Definitions**

“Baltic Exchange” means The Baltic Exchange Limited of St Mary Axe, London EC3A 8BH, UK.

“FIS” means Freight Investor Services Pte Ltd of 16 Collyer Quay, 10-01 Hitachi Tower, Singapore.

“Flat Rate” means an amount in respect of each pricing date expressed in US\$/mt for that route for that pricing date as published by the Worldscale Association (London) Ltd, and the Worldscale Association (NYC) Inc.

“LEBA” means The London Energy Brokers Association.

“mt” means metric tonnes.

“Reference Price” means the daily or final settlement price, as the case may be, for that route, as set out herein below.

“Shanghai Shipping Exchange” means Shanghai Shipping Exchange of 88 Yang Shu Pu Road, Shanghai 200082, PRC.

“TSI” means The Steel Index Limited of Palladium House, 1-4 Argyll Street, London W1F 7LD.

“WCI” means World Container Index of 15 Christopher Street, London EC2A 2BS.

“Worldscale Point” or “WS Point” means a point of the pricing index operated by the Worldscale Association.

“Worldscale Rate” or “WS Rate” means the number of Worldscale Points.

Tanker Voyage Routes, Dry Voyage Routes, Dry Timecharter Basket Routes, Dry Trip Timecharter Routes and Timecharter Voyage Routes are those defined by the Baltic Exchange.

- 3.4.2 The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade (Freight Division).

The table below shows which set of terms (identified by the individual sub-section number of this ~~section 3~~[section 3](#)) applies to the relevant type of freight forward contract or option contract and route:

<b>Name of freight contract and route</b>	<b>Section</b>
\$ Per Tonne Tanker Voyage Routes.....	Section 3.4A
Dry Voyage Routes.....	Section 3.4B
Dry Timecharter Basket Routes – Forwards.....	Section 3.4C
Dry Trip Timecharter Routes.....	Section 3.4D
Dry Timecharter Voyage Route-.....	Section 3.4E
Dry Timecharter Trip & Basket Routes – Options.....	Section 3.4F
<del>Baltic Exchange Dry Index</del>	<del>Section 3.4G</del>
SCFI Container Swaps.....	Section 3. <del>4H</del> <a href="#">4G</a>
WCI Container Swaps.....	Section 3. <del>4I</del> <a href="#">4H</a>
Iron Ore Swap.....	Section 3. <del>4J</del> <a href="#">4I</a>
Iron Ore Option.....	Section 3. <del>4K</del> <a href="#">4J</a>
Fertilizer Swaps.....	Section 3. <del>4L</del> <a href="#">4K</a>
Fertilizer Swap Option.....	Section 3. <del>4M</del> <a href="#">4L</a>
European Hot Rolled Coil Steel Swaps.....	Section 3. <del>4N</del> <a href="#">4M</a>
Chinese Hot Rolled Coil Steel Swap.....	Section 3. <del>4O</del> <a href="#">4N</a>
Turkish Import Scrap Steel Swap.....	Section 3. <del>4P</del> <a href="#">4O</a>
Chinese Domestic Hot Rolled Ribbed Bar Steel Swap.....	Section 3. <del>4Q</del> <a href="#">4P</a>
API 2 cif ARA (Argus/McCloskey) Coal Swap Contract.....	Section 3. <del>4R</del> <a href="#">4Q</a>
API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract.....	Section 3. <del>4S</del> <a href="#">4R</a>
API 2 of ARA (Argus/McCloskey) Coal Option Contract.....	Section 3. <del>4T</del> <a href="#">4S</a>
API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract-.....	Section 3. <del>4U</del> <a href="#">4T</a>

~~3.4A~~ [3.4A](#) **Cash Settled Freight Forward Contracts: \$ Per Tonne Tanker Voyage Routes**

**Description** Cash settled \$ per tonne freight forward contracts on the following Tanker Voyage Routes:

- [Baltic TD3 \(DD3\)](#) (260,000 mt ME Gulf – Japan)
- [Baltic TD5 \(DD5\)](#) (130,000 mt W Africa – USAC)
- [Baltic TD7 \(DD7\)](#) (80,000 mt North Sea – Cont)
- [Baltic TD19 \(D19\)](#) (80,000 mt Cross Med)
- [Baltic TC2 \(DC2\)](#) (37,000 mt Continent – USAC)
- [Baltic TC6 \(DC6\)](#) (30,000 mt Algeria/Euromed)

	<ul style="list-style-type: none"> <li>• <u>      </u> Baltic TC14 (D14) (38,000 mt. US Gulf – Continent)</li> </ul>
<b>Lot Size</b>	1,000 mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$-0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price (in \$/t) or the previous day's settlement price, as supplied end of day by the Baltic Exchange
<b>Floating Price</b>	In respect of daily settlement, the floating price is the end of day price (in \$/t) as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be a price in US\$ per mt calculated as the mean of the Baltic Exchange WS rate spot price assessments multiplied by the Flat Rate divided by 100 for each pricing date in the expiry month.
<b>Expiry / Last Trading Date</b>	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24 <sup>th</sup> December, or previous business day, where the 24 <sup>th</sup> December is a non-working day.
<b>Contract Series</b>	Traded as months, quarters, and calendars, out to 2 whole calendar years (a maximum of 35 months)
<b>Final Payment Date</b>	The first business day following expiry.
<b>Business Days</b>	UK business days.

~~3.4B~~ 3.4B *Cash Settled Freight Forward Contracts:    Dry Voyage Routes*

<b>Description</b>	Cash settled freight forward contracts on the following Dry Voyage Routes: <ul style="list-style-type: none"> <li>• <u>      </u> C3E (Tubarao – Qingdao)</li> <li>• <u>      </u> C4E (Richards Bay – Rotterdam)</li> <li>• <u>      </u> C5E (W Australia – Qingdao)</li> <li>• <u>      </u> C7E (Bolivar – Rotterdam)</li> </ul>
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<b>Lot Size</b>	1,000 mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$-0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.
<b>Expiry / Last Trading Date</b>	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24 <sup>th</sup> December, or previous business day, where the 24 <sup>th</sup> December is a non working day.
<b>Contract Series</b>	C3E traded as months, quarters and calendars, out to 3 whole calendar years (a maximum of 47 months)  <del>C4E – Traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)</del>  <del>C5E traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)</del>  <del>C7E traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)</del>  <u>C4E - Traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)</u>  <u>C5E traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)</u>  <u>C7E traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)</u>
<b>Final Payment Date</b>	The first business day following expiry
<b>Business Days</b>	UK Business Days

**3.4C 3.4C Cash Settled Freight Forward Contracts: Dry Timecharter Basket Routes**

<b>Description</b>	Cash settled freight forward contracts on the following Dry Timecharter Basket Routes: <ul style="list-style-type: none"> <li>• <u>CTC</u> (Capesize TC Avg 4 routes)</li> <li style="padding-left: 20px;"><del>CPT (New Capesize TC Avg 5 routes)</del></li> <li>• <u>PTC</u> (Panamax TC Avg 4 routes)</li> <li>• <u>STC</u> (Supramax TC Avg 6 routes)</li> <li>• <u>HTC</u> (Handysize TC Avg 6 routes)</li> </ul>
<b>Lot Size</b>	1 day
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per day
<b>Minimum Tick</b>	US \$ 0.0001 to account for final settlement
<del>Fixed Price</del> <u>Fixed Price</u>	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.
<b>Expiry / Last Trading Date</b>	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24 <sup>th</sup> December, or previous business day, where the 24 <sup>th</sup> December is a non working day.
<b>Contract Series</b>	CTC, <del>CPT</del> , PTC – Traded as months, quarters and calendars, out to 7 whole calendar years (a maximum of 95 months)  <del>STC, HTC – Traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)</del>  <u>STC, HTC - Traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)</u>
<b>Final Payment Date</b>	The first business day following expiry

**Business Days** UK Business Days

**3.4D** 3.4D *Cash Settled Freight Forward Contracts: Dry Trip Timecharter Routes*

**Description** Cash settled freight forward contracts on the following Dry Trip Timecharter routes:

- P1A, P1E (Transatlantic RV)
- P2A, P2E (Cont Trip Far East)
- P3A, P3E (Trans Pacific RV)

**Lot Size** 1 day

**Currency** US Dollars

**Pricing** US \$ per day

**Minimum Tick** US \$-0.0001 to account for final settlement

~~Fixed~~  
~~Price~~ Fixed Price The traded price or the previous day's settlement price as supplied by the Baltic Exchange

**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.

In respect of final settlement, the floating price will be the mean of the last 7 Baltic Exchange spot price assessments in the expiry month.

**Expiry / Last Trading Date** At 18:00 hours UK time on last business day of each month within the contract series.

Exception – December contracts will expire on the 24<sup>th</sup> December, or previous business day, where the 24<sup>th</sup> December is a non working day.

**Contract Series** Traded as months, quarters and calendars, out to 3 whole calendar years (a maximum of 47 months)

**Final Payment Date** The first business day following expiry

**Business Days** UK Business Days



**3.4E** 3.4E *Cash Settled Freight Forward Contracts: Dry Timecharter Voyage Route*

<b>Description</b>	Cash settled freight forward contract on the following Timecharter Voyage Route: <ul style="list-style-type: none"> <li>• <u>      </u>S7 (East Coast India – China)</li> </ul>
<b>Lot Size</b>	1 day
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per day
<b>Minimum Tick</b>	US \$-0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.
<b>Expiry / Last Trading Date</b>	At 18:00 hours UK time on last business day of each month within the contract series.  Exception – December contracts will expire on the 24 <sup>th</sup> December, or previous business day, where the 24 <sup>th</sup> December is a non-working day.
<b>Contract Series</b>	Traded as months and quarters, out to 4 whole quarters (a maximum of 14 months)
<b>Final Payment Date</b>	The first business day following expiry
<b>Business Days</b>	UK Business Days

**3.4F** 3.4F *Cash Settled Premium Paid Options: Dry Timecharter Trip & Basket Routes*

<b>Description</b>	Cash settled Premium Paid Options on the following Dry Timecharter Basket Routes: <ul style="list-style-type: none"> <li>• <u>      </u>CTO (Capesize TC Avg 4 routes)</li> <li style="padding-left: 40px;"><del>CPO (New Capesize TC Avg 5 routes)</del></li> <li>• <u>      </u>PTO (Panamax TC Avg 4 routes)</li> <li>• <u>      </u>STO (Supramax TC Avg 6 routes)</li> </ul>
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- HTO (Handysize TC Avg 6 routes)

Cash settled Premium Paid Options on the following Dry Trip Timecharter Routes:

- P2O (Cont Trip Far East)

These contracts, if in-the-money expire into their underlying freight forward contracts with a traded price equal to the Strike Price (see below)

<b>Lot Size</b>	1 day
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per day
<b>Minimum Tick</b>	US \$1 per day
<b>Option Type</b>	Options are European style and will be automatically exercised on the expiry day if they are in- <u>the-<u>money</u></u> . If an option is out- <u>of-<u>the-<u>money</u></u></u> it will expire automatically. <u>It is not permitted to exercise the option on any other day or in any other circumstances.</u> No manual exercise is permitted.
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last Trading Date</b>	At 18:00 hours UK time on last Business Day of each month within the contract series.  Exception – December contracts will expire on the 24 <sup>th</sup> December, or previous Business Day, where the 24 <sup>th</sup> December is a non working day
<b>Expiry</b>	18:00 hours UK time on the Last Trading Date  Automatic exercise settings are pre- <u>set</u> to exercise contracts which are one minimum price fluctuation or greater in- <u>the-<u>money</u></u> when compared to the relevant reference price.  Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.  The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying freight forward contracts.  For these purposes final settlement price means the final settlement price on the expiry day of the underlying freight forward contracts.

**Contract Series** Trade as months, out to 3 whole calendar years (a maximum of 47 months)

**Strike Price** Any whole \$ value

~~Business Days~~ ~~UK Business Days~~

### ~~3.4G~~ ~~Cash Settled Freight Index Contract: Baltic Exchange Dry Index~~

~~Description~~ ~~Cash settled freight swap on the Baltic Exchange Dry Index (BDI)~~

~~Lot Size~~ ~~1 BDI tick~~

~~Currency~~ ~~US Dollars~~

~~Pricing~~ ~~1 BDI tick = US \$1~~

~~Minimum Tick~~ ~~US \$ 0.0001 to account for final settlement~~

~~Fixed Price~~ ~~The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange~~

~~Floating Price~~ ~~In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.~~

~~In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange BDI assessments for every trading day in the expiry month.~~

~~Expiry / Last Trading Date~~ ~~At 18:00 hours UK time on last business day of each month within the contract series.~~

~~Exception — December contracts will expire on the 24th December, or previous business day, where the 24th December is a non working day.~~

~~Contract Series~~ ~~Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)~~

~~Final Payment Date~~ ~~The first business day following expiry~~

~~Business Days~~ ~~UK Business Days~~

### ~~3.4H~~ 3.4G *Cash Settled SCFI Container Freight Swap Agreement*

**Description** SCFI cash settled container freight swap agreements on the following routes:

- CNW (Shanghai – North West Europe)
- CMD (Shanghai – Mediterranean)

	<ul style="list-style-type: none"> <li>• <u>CSW</u> (Shanghai – US West Coast)</li> <li>• <u>CSE</u> (Shanghai – US East Coast)</li> </ul>
<b>Lot Size</b>	1 TEU 20ft container (CMD and CNW) 1 FEU 40ft container (CSE and CSW)
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per TEU (CMD and CNW) US \$ per FEU (CSE and CSW)
<b>Minimum Tick</b>	US \$-0.01 to account for final settlement.
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by Approved Brokers, or such other price as may be prescribed by the Clearing House from time to time.
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by Approved Brokers, or such other price as may be prescribed by the Clearing House from time to time.  In respect of final settlement, the floating price will be the mean of the all the SCFI weekly spot assessments for the contract route as published by the Shanghai Shipping Exchange each Friday during the contract month.
<b>Expiry / Last Trading Date</b>	Last publication day of the relevant index in the contract month (i.e. the last Chinese business Friday of every month).  Where the last Friday of the month is a UK business day but a Chinese holiday, the last trading day will be the previous publication day.  Where the last Friday of the month is a Chinese business day but a UK holiday, the last trading day will be the previous UK business day.
<b>Contract Series</b>	Traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)
<b>Final Payment Date</b>	The first business day following expiry
<b>Business Days</b>	Chinese Business Days for the purpose of Index publication.  UK Business Days for the purpose of trade registration, confirmation and final payment.

**3.4I 3.4H Cash Settled WCI Container Freight Swap Agreement**

<b>Description</b>	World Container Index (WCI) cash settled container freight swap agreements on the following routes: <ul style="list-style-type: none"> <li>• <u>Rotterdam</u> – Shanghai (WRS)</li> <li>• <u>Los Angeles</u> – Shanghai (WLS)</li> </ul>
<b>Lot Size</b>	1 FEU 40ft container
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per FEU
<b>Minimum Tick</b>	US \$-0.01 to account for final settlement.
<b>Fixed Price</b>	The traded price or the previous <del>day</del> <u>“sday’s</u> settlement price as supplied end of day by WCI, or any other such source as the Clearing House may determine
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied WCI, or any other such source as the Clearing House may determine.  In respect of final settlement, the floating price will be the mean of the relevant prices for the contract route as published by WCI each Thursday during the contract month.
<b>Contract Series</b>	Front 3 months, front quarter + following 3 quarters, 1 whole calendar year (out to a maximum of 23 months)
<b>Last Trading Date</b>	Last publication day of the relevant index in the contract month (i.e. the last UK business Thursday of every month).  Where the last Thursday of the month is not a UK business day, the last trading day will be the previous publication day (Thursday).
<b>Final Payment Date</b>	The first UK business day following the last trading day
<b>Business Days</b>	UK Business Days

**3.4J 3.4I Cash Settled Iron Ore Swap**

<b>Description</b>	Iron ore swap contract – settled against the daily TSI index (The Steel Index) <del>62%</del> <u>per cent.</u> fe
<b>Contract Code</b>	TSI

<b>Lot Size</b>	1,000mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$-0.01 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by IOSDA or such other price as may be prescribed by the Clearing House from time to time.
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by IOSDA or such other price as may be prescribed by the Clearing House from time to time.  In respect of final settlement, the floating price will be the mean of the daily TSI spot indices for that month.
<b>Expiry / Last Trading Date</b>	At 18:00 hours UK time on the last business day of each month within the contract series
<b>Contract Series</b>	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)
<b>Final Payment Date</b>	The first business day following expiry.
<b>Business Days</b>	UK Business Days

~~3.4K~~ 3.4J *Cash Settled Premium Paid Iron Ore Option*

<b>Description</b>	Cash settled Premium Paid Option on the TSI Iron Ore contract
<b>Contract Code</b>	TSO
<b>Lot Size</b>	1,000mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$-0.01 to account for final settlement
<b>Option Type</b>	Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
<b>Option Premium</b>	The Premium is paid at the time of purchase

<b>Last Trading Date</b>	Last business day of each month within the contract series
<b><u>Expiry</u></b>	<u>18:00 hours UK time on the last trading day</u>
<del>Expiry</del>	<del>18:00 hours UK time on the last trading day</del>
	Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater in <u>the money when compared to the relevant reference price.</u>
	<del>Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.</del>
	<del>The reference price will be a price in US dollars and cents per metric tonne equal to the final settlement price for the underlying Iron Ore swap contract.</del>
	<u>Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.</u>
	<u>The reference price will be a price in US dollars and cents per metric tonne equal to the final settlement price for the underlying Iron Ore swap contract.</u>
<b>Contract Series</b>	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)
<b>Strike Price</b>	Any whole \$ value
<b>Business Days</b>	UK Business Days

~~3.4L~~ 3.4K *Cash Settled Fertilizer Swaps*

<b>Description</b>	Fertilizer swap contracts cash settled against: <ul style="list-style-type: none"> <li>• <u>      </u> UREA – New Orleans (UNO)</li> <li>• <u>      </u> UREA – Yuzhnyy (UYZ)</li> <li>• <u>      </u> UREA – Egypt (UNE)</li> <li>• <u>      </u> DAP – Tampa (DTA)</li> <li>• <u>      </u> DAP – New Orleans (DNO)</li> <li>• <u>      </u> UAN – NOLA (UAN)</li> </ul>
<b>Lot Size</b>	500mt – UYZ, DTA, UNE <del>500st – UNO, DNO, UAN</del>

500st – UNO, DNO, UAN

<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$/tonne
<b>Minimum Tick</b>	US \$-0.0001 to account for final settlement
<b>Fixed Price</b> <del>Fixed Price</del> <u>Fixed Price</u>	The traded price or the previous day's settlement price as supplied end of day by FIS.
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS.  In respect of final settlement, the floating price will be the arithmetic average of the relevant weekly indices for that contract as supplied by FIS for that month.
<b>Expiry / Last Trading Date</b>	Last publication day of the relevant index in the contract month (i.e. the last business Thursday of every month).  Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year.  Where the last Thursday of the month is a non-business day, the expiry day will be the first business day preceding that Thursday
<b>Contract Series</b>	Traded as months and quarters, out to 4 whole quarters (a maximum of 14 months)
<b>Final Payment Date</b>	The first business day following the expiry day
<b>Business Days</b>	UK Business Days

~~3.4M~~ 3.4L *Fertilizer Swap Option*

<b>Description</b>	Single expiry, premium paid option on the underlying UREA – New Orleans (UNO) Fertilizer Swap contract for the corresponding expiry.
<b>Contract Code</b>	ONO
<b>Lot Size</b>	500st
<b>Currency</b>	US Dollars-
<b>Minimum tick</b>	US \$0.0001
<b>Option Type</b>	Options are Asian style and will be automatically exercised on the expiry day if they are " <u>in</u> " in the money" <u>".</u> If an option is " <u>out</u> "



of the money<sup>22</sup> it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.

**Option Premium** The Premium is paid at the time of purchase

**Last Trading Day** Last publication day of the relevant index in the contract month i.e. the last business Thursday of every month

Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year

~~Last Trading Day~~ ~~Last publication day of the relevant index in the contract month i.e. the last business Thursday of every month~~

~~Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year~~

Where the last Thursday of the month is a non-business day, the last trading day will be the first business day preceding.

**Expiry** 18:00 hours UK time on the last trading day

Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price

Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract

~~Expiry~~ ~~18:00 hours UK time on the last trading day~~

~~Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price~~

~~Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract~~

The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying UREA – New Orleans (UNO) Fertilizer Swap contract

~~For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying UREA – New Orleans (UNO) Fertilizer Swap contract~~

For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying UREA –

[New Orleans \(UNO\) Fertilizer Swap contract](#)

<b>Contract series</b>	Front 6 months, 4 quarters
<b>Strike Price</b>	Any whole \$ value
<b>Margin</b>	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.
<b>Business Days</b>	UK business days

~~3.4N~~ [3.4M](#) *European Hot Rolled Coil Steel Swaps*

<b>Description</b>	European Hot Rolled Coil Steel swaps, cash settled against The Steel Index: <ul style="list-style-type: none"> <li>• <u>      </u>Hot Rolled Coil – Northern Europe, domestic (SCN)</li> <li>• <u>      </u>Hot Rolled Coil – Southern Europe, domestic (SCS)</li> </ul>
<b>Lot Size</b>	20 mt
<b>Currency</b>	Euros
<b>Pricing</b>	€ per metric tonne
<b>Minimum Tick</b>	€0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the mean of the daily prices for the contract route as published by The Steel Index during the contract month.
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
<b>Expiry / Last Trading Day</b>	Last UK business day of the contract month.
<b>Delivery</b>	Cash settled monthly against the arithmetic average of all the indices in the contract month
<b>Final Payment Date</b>	The first business day following the expiry day

**Business Days** UK Business days

**3.4O 3.4N** *Chinese Hot Rolled Coil Steel Swaps*

**Description** Chinese Hot Rolled Coil Steel swap, cash settled against the Cleartrade China Steel Index (provided by Umetal):  
~~Hot Rolled Coil (SCC)~~

- Hot Rolled Coil (SCC)

**Lot Size** 20 mt

**Currency** US Dollars

**Pricing** US \$ per metric tonne

**Minimum Tick** US \$0.0001 to account for final settlement

**Fixed Price** The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine

**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.

~~**Floating Price** In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.~~

In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including indices published at weekends which are Chinese business days\*

**Contract Series** Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years

**Expiry / Last Trading Day** Last Chinese business day of the contract month.

~~**Expiry / Last Trading Day** Last Chinese business day of the contract month.~~  
Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.

**Delivery** Cash settled monthly against the arithmetic average of all the indices in the contract month

**Final Payment Date** The first UK business day following the expiry day

<b>Business Days</b>	Chinese business days for the purpose of Index publication
	UK business days for the purpose of trade registration, confirmation and final payment

\* [subject to the following currency exchange:](#)

~~\*subject to the following currency exchange:~~

The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg USD CNY fixing rate, as published at ~~4pm~~[4 pm](#) China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at ~~4pm~~[4 pm](#) China Standard Time will be used to convert it.

### ~~3.4P~~ 3.4O *Turkish Import Scrap Steel Swap*

<b>Description</b>	Cash settled steel swap – settled against The Steel Index:  <del>Turkish Import Scrap (SST)</del>  • <a href="#">Turkish Import Scrap (SST)</a>
<b>Lot Size</b>	20 mt
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per metric tonne
<b>Minimum Tick</b>	\$0.0001 to account for final settlement
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the mean of the relevant -prices for the contract route as published by The Steel Index each Monday during the contract month
<b>Contract Series</b>	Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years
<b>Expiry / Last Trading Day</b>	Last publication day of the relevant index in the contract month  Where the last business day of the month is a Monday, this will be the last publication day.  Where the last business day of the month is not a Monday, the last publication day will be the following Monday.

Where the last Monday of the month / first of the next is a non-business day, last publication will be the following business day.

<b><u>Delivery</u></b>	<u>Cash settled monthly against the arithmetic average of all the indices in the contract month</u>
<b><u>Final Payment Date</u></b>	<u>The first business day following the expiry day</u>
<b><u>Business Days</u></b>	<u>UK Business days</u>

### 3.4P Chinese Domestic Hot Rolled Ribbed Bar Steel Swap

<b><u>Description</u></b>	<u>Cash settled steel swap – settled against the Cleartrade China Steel Index (provided by Umetal):</u> <ul style="list-style-type: none"> <li><u>China Domestic Hot Rolled Ribbed Bar (SBC)</u></li> </ul>
<b><u>Lot Size</u></b>	<u>20 mt</u>
<b><u>Currency</u></b>	<u>US Dollars</u>
<b><u>Pricing</u></b>	<u>US \$ per metric tonne</u>
<b><u>Minimum Tick</u></b>	<u>US \$0.0001 to account for final settlement</u>
<b><u>Fixed Price</u></b>	<u>The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine</u>
<b><u>Floating Price</u></b>	<u>In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.</u> <p><u>In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including indices published at weekends which are Chinese business days*</u></p>
<b><u>Contract Series</u></b>	<u>Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years</u>
<b><u>Expiry / Last Trading Day</u></b>	<u>Last Chinese business day of the contract month. Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.</u>
<b><u>Delivery</u></b>	<u>Cash settled monthly against the arithmetic average of all the indices in the contract month</u>
<b><u>Final Payment Date</u></b>	<u>The first <u>UK</u> business day following the expiry day</u>

**Business Days** ~~UK Business days~~ Chinese business days for the purpose of Index publication UK business days for the purpose of trade registration, confirmation and final payment

\* subject to the following currency exchange:

The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg USD CNY fixing rate, as published at 4 pm China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at 4pm China Standard Time will be used to convert it.

### ~~3.4Q~~ **Chinese Domestic Hot Rolled Ribbed Bar Steel Swap**

<del>Description</del>	<del>Cash settled steel swap settled against the Cleartrade China Steel Index (provided by Umetal):</del>  <del>China Domestic Hot Rolled Ribbed Bar (SBC)</del>
<del>Lot Size</del>	<del>20 mt</del>
<del>Currency</del>	<del>US Dollars</del>
<del>Pricing</del>	<del>US \$ per metric tonne</del>
<del>Minimum Tick</del>	<del>US \$0.0001 to account for final settlement</del>
<del>Fixed Price</del>	<del>The traded price or the previous day's settlement price as supplied end of day by FIS, or any other such source as LCH.Clearnet may determine</del>
<del>Floating Price</del>	<del>In respect of daily settlement, the floating price will be the end of day price as supplied by FIS, or any other such source as LCH.Clearnet may determine.</del>  <del>In respect of final settlement, the floating price will be the arithmetic average of all the daily Cleartrade China Steel Index (provided by Umetal) indices for that month, including indices published at weekends which are Chinese business days*</del>
<del>Contract Series</del>	<del>Front 1 or 2 months (remaining from front quarter), 5 whole quarters, 2 whole calendar years</del>
<del>Expiry / Last Trading Day</del>	<del>Last Chinese business day of the contract month. Where the last Chinese business day is a UK holiday, last trading day will be the previous UK business day.</del>
<del>Delivery</del>	<del>Cash settled monthly against the arithmetic average of all the indices in the contract month</del>
<del>Final Payment Date</del>	<del>The first UK business day following the expiry day</del>
<del>Business Days</del>	<del>Chinese business days for the purpose of Index publication UK business days for the purpose of trade registration, confirmation and final payment</del>

~~\*subject to the following currency exchange:~~

~~The Cleartrade China Steel Index is published in CNY and Cleartrade will use the daily Bloomberg~~

~~USD-CNY fixing rate, as published at 4pm China Standard Time, to convert the prices to USD. Where an index price is published at a weekend, the next published Bloomberg fixing rate at 4pm China Standard Time will be used to convert it.~~

### ~~3.4R~~ 3.4Q *Cash Settled API 2 (cif ARA) Coal Swap Contract*

<b>Description</b>	Cash settled API 2 cif ARA (Argus/McCloskey) coal swap contract.
<b>Lot Size</b>	1000 tonnes
<b>Minimum Contract Size</b>	One Lot
<b>Currency</b>	US Dollars
<b>Minimum Tick</b>	\$0.05/tonne
<b>Fixed Price</b>	The traded price or the previous day's settlement price as supplied end of day by LEBA, or such other price as may be prescribed by the Clearing house from time to time.
<b>Floating Price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA, or such other price as may be prescribed by the Clearing house from time to time.  In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 2 (cif ARA) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.
<b>Expiry / Last Trading Date</b>	Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.
<b><u>Contract Series</u></b>	<u>Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.</u>
<b><u>Business Days</u></b>	<u>UK Business Days</u>

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3.4R Cash Settled API 4 (fob Richards Bay) Coal Swap Contract

<u>Description</u>	<u>Cash settled API 4 fob Richards Bay (Argus/McCloskey) coal swap contract.</u>
<u>Lot Size</u>	<u>1000 tonnes</u>
<u>Minimum Contract Size</u>	<u>One Lot</u>
<u>Currency</u>	<u>US Dollars</u>
<u>Minimum Tick</u>	<u>\$0.05/tonne</u>
<u>Fixed Price</u>	<u>The traded price or the previous day's settlement price as supplied end of day by LEBA, or such other price as may be prescribed by the Clearing house from time to time.</u>
<u>Floating Price</u>	<u>In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA, or such other price as may be prescribed by the Clearing house from time to time.</u>  <u>In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 4 (fob Richards Bay) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.</u>
<u>Expiry / Last Trading Date</u>	<u>Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.</u>
<b>Contract Series</b>	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.
<b>Business Days</b>	UK Business Days

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3.4S 3.4S Cash Settled Premium Paid Option: API 4 (fob Richards Bay) if ARA (Argus/McCloskey) Coal Swap Options Contract

<b>Description</b>	<del>Cash</del> Single expiry, cash settled, premium paid, option on the underlying API 4 fob Richards Bay if ARA (Argus/McCloskey)
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	<del>coal-swap</del> <u>Coal Swap</u> contract <u>for the corresponding expiry.</u>
<b>Lot Size</b>	<del>1000</del> <u>1,000</u> tonnes <u>per month</u>  <u>A quarter contract will comprise 3,000 tonnes</u>  <u>A calendar contract will comprise 12,000 tonnes.</u>
<b>Minimum Contract Size</b>	<del>One Lot</del> <u>1 lot per month.</u>  <u>A quarter contract will comprise 15 lots</u>  <u>A calendar contract will comprise 60 lots.</u>
<b>Currency</b>	US Dollars
<b>Pricing</b>	<u>US \$[.] and cents per metric tonne</u>
<b>Minimum Tick</b>	<u>US \$0.<del>05</del>01 per tonne</u>
<b>Fixed Price</b>	<del>The traded price or the previous day's settlement price as supplied end of day by LEBA, or such other price as may be prescribed by the Clearing house from time to time.</del>
<b>Floating Price Option Type</b>	<del>In respect of daily settlement, the floating price will be the end of day price as supplied by LEBA, or such other price as may be prescribed by the Clearing house from time to time.</del> <u>Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in-the-money" unless set to expire manually. If an option is "out-of-the-money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.</u>
<b>Option Premium</b>	<del>In respect of final settlement, the floating price will be the average of weekly Argus/McCloskey API 4 (fob Richards Bay) index prices for the contract month as published in Argus/McCloskey's Coal Price Index Report.</del> <u>The Premium is paid at the time of purchase</u>
<b>Expiry/Last Trading Date</b>	<del>Month contracts will cease trading at the close of business on the last Friday of the contract month. Quarters, seasons and calendar years cease trading as a quarter/season/calendar year at the close of business on the last Friday of the first month contract in that quarter/season/calendar year. Where the last Friday of the month is a non-business day, the expiry day will be the first business day preceding that Friday.</del> <u>30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.</u>

<b><u>Expiry</u></b>	<u>17:00 hours UK time on the Last Trading Date</u>
<b><u>Contract Series</u></b>	<u>Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.</u> <del>Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.</del>

~~Business Days UK Business Days~~

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### ~~3.4T Cash Settled Premium Paid Option: API 2 if ARA (Argus/McCloskey) Coal Options Contract~~

<del>Description</del>	<del>Single expiry, cash settled, premium paid, option on the underlying API 2 if ARA (Argus McCloskey) Coal Swap contract for the corresponding expiry.</del>
<del>Lot Size</del>	<del>1,000 tonnes per month A quarter contract will comprise 3,000 tonnes A calendar contract will comprise 12,000 tonnes.</del>
<del>Minimum Contract Size</del>	<del>1 lot per month. A quarter contract will comprise 3 lots A calendar contract will comprise 12 lots.</del>
<del>Currency</del>	<del>US Dollars</del>
<del>Pricing</del>	<del>US \$ and cents per metric tonne</del>
<del>Minimum Tick</del>	<del>US \$0.01 per tonne</del>
<del>Option Type</del>	<del>Options are single expiry European style options and will be automatically exercised on the expiry day if they are "in-the-money" unless set to expire manually. If an option is "out-of-the-money" it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.</del>
<del>Option Premium</del>	<del>The Premium is paid at the time of purchase</del>
<del>Last Trading Date</del>	<del>30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day expiry will be on the Business Day immediately prior e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.</del>

**Expiry** ~~17:00 hours UK time on the Last Trading Date~~

~~Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price.~~

Contracts are single expiry options. A quarter contract will expire into the underlying monthly swap contracts that comprise the quarter on last trading date. A calendar contract will expire into the underlying monthly swap contracts comprising January through December on last trading day.

Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.

The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 2 Swap contract.

For these purposes, final settlement price means the final settlement price on the expiry day of the underlying API 2 cif ARA (Argus/McCloskey) Swap contract.

**Contract Series** 3 to 6 quarter contracts and 3 whole calendar contracts.

All option contracts expire into the underlying months of the corresponding contract series.

**Strike Price** Any whole \$ value

**Margin** Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis.

**Business Days** UK Business Days

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~~3.4U~~ 3.4T **Cash Settled Premium Paid Option: API 4 fob Richards Bay (Argus/McCloskey) Coal Options Contract**

**Description** Single expiry, cash settled, premium paid, option on the underlying API 4 fob Richards Bay (Argus McCloskey) Coal Swap contract for the corresponding expiry.

**Lot Size** 1,000 tonnes per month.

A quarter contract will comprise 3,000 tonnes

~~Lot Size 1,000 tonnes per month.  
A quarter contract will comprise 3,000 tonnes~~

	A calendar contract will comprise 12,000 tonnes.
<b><u>Minimum Contract Size</u></b>	<u>1 lot per month</u>
	<u>A quarter contract will comprise 15 lots</u>
<b>Minimum Contract Size</b>	<del>1 lot per month</del> <del>A quarter contract will comprise 3 lots</del> A calendar contract will comprise <del>12</del> <u>60</u> lots.
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ <u>\$.01</u> and cents per metric tonne
<b>Minimum Tick</b>	US \$-0.01 per tonne
<b>Option Type</b>	Options are single expiry European style options and will be automatically exercised on the expiry day if they are " <u>in-the-money</u> " unless set to expire manually. If an option is " <u>out-of-the-money</u> " it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
<b>Option Premium</b>	The Premium is paid at the time of purchase.
<b>Last Trading Date</b>	30 days prior to commencement of the underlying Coal swap contract. Where this is a non Business Day, expiry will be on the Business Day immediately prior – e.g. the Calendar 2012 and Q1 2012 contracts will expire on 02/12/2011.
<b>Expiry</b>	17:00 hours UK time on the Last Trading Date  Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater " <u>in-the-money</u> " when compared to the relevant reference price.  Contracts are single expiry options. A quarter contract will expire in to the underlying monthly swap contracts that comprise the quarter on last trading date. A calendar contract will expire into the underlying monthly swap contracts comprising January through December on last trading day.  Members are permitted to override automatic exercise settings or manually enter exercise instructions for this contract.  The reference price will be a price in USD and cents, equal to the final settlement price for the underlying API 4 Swap contract.  For these purposes, " <u>final settlement price</u> " means the final settlement price on the expiry day of the underlying API 4 fob

Richards Bay (Argus/McCloskey) Swap contract.

<b>Contract series</b>	3 to 6 quarter contracts and 3 whole calendar contracts.  All option contracts expire into the underlying months of the corresponding contract series
<b>Strike Price</b>	Any whole \$ value
<b>Margin</b>	Options will be subject to Initial Margin and Net Liquidation Value variation margin on a daily basis..
<b>Business Days</b>	UK Business Days

API 4 is trademarked and is used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is responsible for these API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract Terms. Argus and IHS take no position on the purchase or sale of such API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

### ~~3.5~~ 3.5 LCH EnClear OTC Services: Precious Metals Division

The following terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contracts arising from an Eligible OTC Trade in the Precious Metals Division of the LCH EnClear OTC Services.

#### ~~3.5.1~~ 3.5.1 Standard Terms: Additional Definitions

The following additional definitions shall apply to any LCH EnClear OTC Contract within the LCH EnClear OTC Services: Precious Metals Division.

<u>Defined Term</u>	<u>Definition</u>
<b>Gold</b>	Unallocated gold complying with the rules of The London Bullion Market Association relating to good delivery and fineness in effect from time to time.
<b>LBMA</b>	means The London Bullion Market Association or its successors
<b>LPMCL</b>	means London Precious Metals Clearing Limited or its successors
<b>Precious Metals</b>	means Gold, Silver and any other metal(s) as may be defined from time to time.
<del><b>Silver</b></del>	<del>Unallocated silver complying with the rules of The London Bullion Market Association relating to good delivery and fineness in effect from time to time.</del>
<b>Unallocated Accounts</b>	means the accounts maintained by members of LPMCL to and from which <del>an amount</del> <u>fine troy ounces</u> of Precious Metals is credited and debited for the purposes of

Defined Term	Definition
	transferring Precious Metals between two parties.

~~3.5.2~~ 3.5.2 *Standard Terms: Basic Provisions - Gold*

<b>Description</b>	Physically settled contracts for the forward delivery of Gold.
<b>Unit of Trading</b>	One lot of 100 Fine Troy Ounces of Gold
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	US Dollars.
<b>Tick Size</b>	US\$-0.001 Per Fine Troy Ounce Of Gold.
<b>Reference Price for Daily Settlement</b>	LBMA Gold Forward Curve or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	PM London Gold Fixing or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	US\$0.001 per fine troy ounce of Gold.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Every Business day from Spot out to ten years.
<b>Business Days</b>	Means any day (other than Saturday or Sunday) on which banks are open for business in the UK and USA.
<b>Settlement</b>	Physical delivery by crediting or debiting of Gold to or from Unallocated Accounts held with one of the commercial bank members of LPMCL in accordance with the Procedures.

~~3.5.3~~ 3.5.3 *Standard Terms: Basic Provisions - Silver*

<b>Description</b>	Physically settled contracts for the forward delivery of Silver.
<b>Unit of Trading</b>	One lot of 5,000 <del>Troy</del> <u>Fine</u> Ounces of Silver
<b>Minimum Contract Size</b>	One lot.
<b>Currency</b>	US Dollars.

<b>Tick Size</b>	US\$-0.001 Per <del>Troy</del> <u>Fine</u> Ounce Of Silver.
<b>Reference Price for Daily Settlement</b>	LBMA Silver Forward Curve or such other price as may be prescribed by the Clearing House from time to time.
<b>Final Settlement</b>	London Silver Fixing or such other price as may be prescribed by the Clearing House from time to time.
<b>Minimum Price Fluctuation</b>	US\$0.001 per <del>Troy</del> <u>fine</u> ounce of Silver.
<b>Maximum Price Fluctuation</b>	Unlimited.
<b>Contract Series</b>	Every Business Day from Spot out to <del>three</del> <u>ten</u> years.
<b>Business Days</b>	Means any day (other than Saturday or Sunday) on which banks are open for business in the UK and USA.
<b>Settlement</b>	Physical delivery by crediting or debiting of Silver to or from Unallocated Accounts held with one of the commercial bank members of LPMCL in accordance with the Procedures.

**~~Section 4~~ Section 4 General Standard Terms**

~~4A.~~ 4A. The following General Standard Terms apply to all LCH EnClear OTC Contracts:

~~4A.1~~ 4A.1 *Payment of Stamp Tax and Other Taxes*

- ~~(a)~~ (a) All payments due under an LCH EnClear OTC Contract shall be made by the LCH EnClear OTC Clearing Member free and clear and without deduction or withholding for or on account of any tax.
- ~~(b)~~ (b) The Clearing House shall make any payments due to an LCH EnClear OTC Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.
- ~~(c)~~ (c) The LCH EnClear OTC Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty or tax levied or imposed upon the Clearing House in whatsoever jurisdiction in respect of the Clearing House's execution or performance of this LCH EnClear OTC Contract.

~~4A.2~~ 4A.2 *Payment of Stamp Tax*

- ~~(a)~~ (a) The LCH EnClear OTC Clearing Member will pay any Stamp Tax or other similar duty levied or imposed upon it in respect of any LCH EnClear OTC Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (~~("Stamp Tax Jurisdiction")~~) or by any other jurisdiction.

- ~~(b)~~ (b) The LCH EnClear OTC Clearing Member shall indemnify the Clearing House against any Stamp Tax or other duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any LCH EnClear OTC Contract registered by the Clearing House and to which that Clearing Member is a party.

~~4A.3~~ 4A.3 ***Payments under an LCH EnClear OTC Contract***

- ~~(a)~~ (a) The Clearing House shall, unless specified otherwise in the Procedures, effect daily settlement to market of open LCH EnClear OTC Contracts in accordance with the Regulations. Any Reference Price shall be determined in accordance with the Regulations and Procedures.
- ~~(b)~~ (b) Payments under, and in respect of, an LCH EnClear OTC Contract shall be calculated by the Clearing House and shall be made by, or to, the LCH EnClear OTC Clearing Member in accordance with the provisions of the Regulations and the Procedures.

~~4A.4~~ 4A.4 ***Regulations***

This LCH EnClear OTC Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these LCH EnClear OTC Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

~~4A.5~~ 4A.5 ***Governing Law***

This LCH EnClear OTC Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The LCH EnClear OTC Clearing Member party to this LCH EnClear OTC Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

~~4A.6~~ 4A.6 ***Third Party Rights***

A person who is not a party to this LCH EnClear OTC Contract shall have no rights under or in respect of this LCH EnClear OTC Contract. Rights of third parties to enforce any terms of this LCH EnClear OTC Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.



- ~~4B.~~ 4B. The following Standard Terms apply only in respect of LCH EnClear OTC Contracts arising from Eligible OTC Trades (Precious Metals Division):

*Unavailability of any Reference Price*

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided, in respect of the Daily Settlement Price, by one or more LBMA market makers, or, in respect of the Final Settlement Price, by one or more Members of the London Gold Market Fixing Ltd.

- ~~4C.~~ 4C. The following Standard Terms apply only in respect of LCH EnClear OTC Contracts arising from Eligible OTC Trades (Freight Division):

~~4C.1~~ 4C.1 *Unavailability of any Reference Price*

In the event that the Clearing House is unable, after exercising all reasonable commercial diligence, to obtain any relevant Reference Price on any day, the Clearing House may use a price as provided by a panel formed by the Forward Freight Agreement Brokers Association or other applicable provider designated by the Clearing House.

~~4C.2~~ 4C.2 *Calculation Agent*

The Calculation Agent is the Clearing House.

~~4C.3~~ 4C.3 *Change in Route*

In the event of a change in a route, the successor reference price as published by the Baltic Exchange or other applicable provider designated by the Clearing House shall be applicable.

## SCHEDULE TO THE LCH ENCLEAR OTC REGULATIONS

### Part B

#### PART B

### PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A LCH ENCLEAR OTC CONTRACT

#### 1. Eligible OTC Trades

~~(a)~~ (a)

~~4.2.2.~~ 4.2.2. Product Eligibility Criteria for Eligible OTC Trades

~~4.2.2.1~~ 4.2.2.1 [This section has been removed]

~~4.2.2.2~~ 4.2.2.2 [This section has been removed]

~~4.2.3.3~~ 4.2.3.3 Product Eligibility Criteria for Eligible OTC Trades in Energy Division and in the Freight Division

The following contracts are Eligible Products for the LCH EnClear OTC Services (Energy Division), LCH EnClear OTC Services (Freight Division) and LCH EnClear OTC Services (Precious Metals Division).

Energy Division:

OTC Emissions – EUAs

Description Physically settled contracts for the forward delivery of EUAs

Unit of Trading One lot of 1000 EUAs

Minimum Contract Size One lot

Currency Euros

Tick Size One euro cent (ten euros per lot)

Contract Series Annual December contract months ending December 2015

OTC Emissions – CERs

Description Physically settled contracts for the forward delivery of CERs

Unit of Trading One lot of 1000 CERs

Minimum Contract Size One lot

Currency Euros

Tick Size One euro cent (ten euros per lot)

Contract Series Annual December contract months December 2015

OTC Emissions – Spot EUAs

Description	Physically settled contracts for the next day delivery of EUAs.
Unit of Trading	One lot of 1000 EUAs
Minimum Contract Size	One lot
Currency	Euros
Tick Size	One euro cent (ten euros per lot)
Contract Series	Rolling day ahead spot contract for business days only

#### OTC Emissions – Spot CERs

Description	Physically settled contracts for the next day delivery of CERs
Unit of Trading	One lot of 1000 CERs
Minimum Contract Size	One lot
Currency	Euros
Tick Size	One euro cent (ten euros per lot)
Contract Series	Rolling day ahead spot contract for business days only

#### OTC Emissions – EUA Options

Description	Physically settled Premium Paid Option on the underlying EUA Forward contract for the corresponding December expiry.  These contracts, if " <u>in the money</u> " expire into their underlying EUA Forward contracts with a traded price equal to the Strike Price
Lot size	1000 tonnes
Currency	Euro
Minimum tick	€0.01 per tonne
Contract Series	Four rolling month contracts (March, June, September and December) plus an additional two December contracts  All option contracts expire into the underlying December contract of the corresponding year.

#### OTC Emissions – CER Options

Description	Physically settled Premium Paid Option on the underlying CER Forward contract for the corresponding December expiry.  These contracts, if " <u>in the money</u> " expire into their underlying CER Forward contracts with a traded price equal to the Strike Price
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Lot size	1000 tonnes
Currency	Euro
Minimum tick	€0.01 per tonne
Contract series	Four rolling month contracts (March, June, September and December) plus an additional two December contracts.
	All option contracts expire into the underlying December contract of the corresponding year.

Freight Division:

\$ Per Tonne Tanker Voyage Routes

Description	Cash settled \$ per tonne freight forward contracts on the following Tanker Voyage Routes: Baltic TD3 (DD3) (260,000 mt ME Gulf – Japan) Baltic TD5 (DD5) (130,000 mt W Africa – USAC) Baltic TD7 (DD7) (80,000 mt North Sea – Cont) Baltic TD19 (D19) (80,000 mt Cross Med) Baltic TC2 (DC2) (37,000 mt Continent – USAC) Baltic TC6 (DC6) (30,000 mt Algeria/ Euromed) Baltic TC14 (D14) (38,000 mt. US Gulf – Continent)
Lot Size	1,000 mt
Currency	US Dollars
Minimum Tick	US \$ 0.0001 per tonne
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Dry Timecharter Basket Routes – Forwards

Description	Cash settled freight forward contracts on the following Dry Timecharter Basket Routes: CTC (Capesize TC Avg 4 routes) <del>CPT (New Capesize TC Avg 5 routes)</del> PTC (Panamax TC Avg 4 routes) STC (Supramax TC Avg 6 routes) HTC (Handysize TC Avg 6 routes)
Lot Size	1 day
Currency	US Dollars
Minimum Tick	US \$ 0.0001 per day
Contract Series	Traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)

## Dry Voyage Routes

Description	Cash settled freight forward contracts on the following Dry Voyage Routes: C3E (Tubarao – Qingdao) C4E (Richards Bay – Rotterdam) C5E (W Australia – Qingdao) C7E (Bolivar – Rotterdam)
Lot Size	1,000 mt
Currency	US Dollars
Minimum Tick	US \$ 0.0001 per tonne
Contract Series	C3E traded as months, quarters and calendars, out to 3 whole calendar years (a maximum of 47 months) C4E traded as months, quarters and calendars, out to a maximum of 4 whole calendar years C5E traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months) C7E traded as months, quarters and calendars, out to 5 whole calendar years (a maximum of 71 months)

## Dry Trip Timecharter Routes

Description	Cash settled freight forward contracts on the following Dry Trip Timecharter Routes: P1A, P1E (Transatlantic RV) P2A, P2E (Cont Trip Far East) P3A, P3E (Trans Pacific RV)
Lot Size	1 day
Currency	US Dollars
Minimum Tick	US \$ 0.0001 per day
Contract Series	Traded as months, quarters and calendars, out to 3 whole calendar years (a maximum of 47 months)

## Dry Timecharter Voyager Route

Description	Cash settled freight forward contract on the following Timecharter Voyage Route: S7 (East Coast India – China)
Lot Size	1 day
Currency	US Dollars
Minimum Tick	US \$ 0.0001 per day
Contract Series	Traded as months and quarters, out to 4 whole

quarters (a maximum of 14 months)

#### Dry Timecharter Trip & Basket Routes – Options

Description Cash settled Premium Paid Option on the following Dry Timecharter Basket Routes:  
CTO (Capesize TC Avg 4 routes)  
~~CPO (New Capesize TC Avg 5 routes)~~  
PTO (Panamax TC Avg 4 routes)  
STO (Supramax TC Avg 6 routes)  
HTO (Handysize TC Avg 6 routes)  
Cash settled Premium Paid Option on the following Dry Trip Timecharter Routes:  
P2O (Cont Far East)

These contracts, if in-the-money expire into their underlying freight forward contracts with a traded price equal to the Strike Price (see below)

Lot Size 1 day  
Currency US Dollars  
Minimum Tick US \$1 per day  
Option Type Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.  
Contract Series Traded as months, out to 3 whole calendar years (a maximum of 47 months)  
Strike Price Any whole \$ value

~~Baltic Exchange Dry Index~~  
~~Description Cash settled freight swap on the Baltic Exchange Dry Index (BDI)~~  
~~Lot Size 1 BDI tick~~  
~~Currency US Dollars~~  
~~Minimum Tick US \$ 0.0001 to account for final settlement~~  
~~Contract Series Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)~~

#### Contract: Fertilizer Swap Option

Description Single expiry, premium paid option on the underlying UREA – New Orleans (UNO) Fertilizer Swap contract for the corresponding expiry.  
Lot Size 500st  
Currency US Dollars

Minimum Tick	US \$0.0001
Option Type	Options are Asian style and will be automatically exercised on the expiry day if they are "in the money". If an option is "out of the money" it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
Option Premium	The Premium is paid at the time of purchase
Last Trading Day	Last publication day of the relevant index in the contract month ie the last business Thursday of every month  Exception – December contracts will expire on the penultimate Thursday, as there is no publication of an index in the week prior to New Year  Where the last Thursday of the month is a non-business day, the last trading day will be the first business day preceding.
Expiry	18:00 hours UK time on the last trading day  Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater "in-the-money" when compared to the relevant reference price  Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract  The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying UREA – New Orleans (UNO) Fertilizer Swap contract  For these purposes "final settlement price" means the final settlement price on the expiry day of the underlying UREA – New Orleans (UNO) Fertilizer Swap contract
Contract Series	Front 6 months, 4 quarters
Strike Price	Any whole \$ value
Business Day	UK business days
Contract: SCFI Container Freight Swap Agreement	
Description	SCFI cash settled container freight swap agreements on the following routes:  CNW (Shanghai – North West Europe)  CMD (Shanghai – Mediterranean)

	CSW (Shanghai – US West Coast)
	CSE (Shanghai – US East Coast)
Lot Size	1 TEU 20ft container (CMD and CNW) 1 FEU 40ft container (CSE and CSW)
Currency	US Dollars
Minimum Tick	US \$ 0.01 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)

Contract: WCI Container Freight Swap Agreement

Description	World Container Index (WCI) cash settled container freight swap agreements based on the following routes:  Rotterdam - Shanghai (WRS) Los Angeles - Shanghai (WLS)
Lot Size	1 FEU 40ft container
Currency	US Dollars
Minimum Tick	US \$ 0.01 to account for final settlement
Contract Series	1 whole calendar year (a maximum of 23 months)

Contract: Iron Ore Swap

Description	Iron ore swap contract – settled against the daily TSI index (The Steel Index) 62% fe
Lot Size	1,000mt
Currency	US Dollars
Minimum Tick	US \$ 0.01 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

Iron Ore Option

Description	Cash settled Premium Paid Option on the TSI Iron Ore contract
Lot Size	1,000mt
Currency	US Dollars
Minimum Tick	US \$ 0.01 to account for final settlement
Option Type	Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-o- the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other



	circumstances. No manual exercise is permitted.
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)
Strike Price	Any whole \$ value
Contract: Fertilizer Swaps	
Description	Fertilizer swap contracts cash settled against: UREA – New Orleans (UNO) UREA – Yuzhnyy (UYZ) UREA – Egypt (UNE) DAP – Tampa (DTA) DAP – New Orleans (DNO) UAN – NOLA (UAN)
Lot Size	500mt – UYZ, DTA, UNE 500st – UNO, DNO, UAN
Currency	US Dollars
Minimum Tick	US \$0.0001
Contract Series	Traded as months and quarters, out to 4 whole quarters (a maximum of 14 months)
European Hot Rolled Coil Steel Swaps	
Description	European Hot Rolled Coil Steel swaps, cash settled against The Steel Index: Hot Rolled Coil – Northern Europe, domestic (SCN) Hot Rolled Coil – Southern Europe, domestic (SCS)
Lot Size	20 mt
Currency	Euros
Minimum Tick	€0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)
Chinese Hot Rolled Coil Steel Swap	
Description	Chinese Hot Rolled Coil Steel swap, cash settled against the Cleartrade China Steel Index (provided by Umetal): (SCC)
Lot Size	20 mt
Currency	US Dollars
Minimum Tick	\$0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

### Turkish Import Scrap Steel Swap

Description	Turkish Import Scrap Steel swap, cash settled against The Steel Index: (SST)
Lot Size	20 mt
Currency	US Dollars
Minimum Tick	\$0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

### Chinese Domestic Hot Rolled Ribbed Bar Steel Swap

Description	Chinese Domestic Hot Rolled Ribbed Bar Steel swap, cash settled against the Cleartrade China Steel Index (provided by Umetal): (SBC)
Lot Size	20 mt
Currency	US Dollars
Minimum Tick	€0.0001 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)

### Contract: API 2 cif ARA (Argus/McCloskey) Coal Swap

Description	Cash settled API 2 cif ARA (Argus/McCloskey) coal swap contract.
Lot Size	1000 tonnes
Minimum Contract Size	One Lot
Currency	US Dollars
Minimum Tick	\$0.05/tonne
Contract Series	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.

### Contract: API 4 fob Richards Bay (Argus/McCloskey) Coal Swap

Description	Cash settled API 4 fob Richards Bay (Argus/McCloskey) coal swap contract.
Lot Size	1000 tonnes
Minimum Contract Size	One Lot
Currency	US Dollars
Minimum Tick	\$0.05/tonne
Contract Series	Front 4 contract months, the front 4 to 7 quarter contracts (i.e. quarter contracts up to the end of the front calendar year), 5 whole season contracts and up to 4 calendar years.

#### API 2 cif ARA (Argus/McCloskey) Coal Option

Description	Single expiry, cash settled, premium paid, option on the underlying API 2 cif ARA (Argus McCloskey) Coal Swap contract for the corresponding expiry.
Lot Size	1,000 tonnes per month A quarter contract will comprise 3,000 tonnes A calendar contract will comprise 12,000 tonnes
Currency	US Dollars
Minimum Tick	\$0.01 per tonne
Option Type	Options are single expiry European style options and will be automatically exercised on the expiry day if they are in-the-money unless set to expire manually. If an option is out-of-the-money it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
Contract Series	3 to 6 quarter contracts and 3 whole calendar contracts. All option contracts expire into the underlying months of the corresponding contract series.
Strike Price	Any whole \$ value

#### API 4 fob Richards Bay (Argus/McCloskey) Coal Option

Description	Single expiry, cash settled, premium paid, option on the underlying API 4 Richards Bay (Argus McCloskey) Coal Swap contract for the corresponding expiry.
Lot size	1,000 tonnes per month A quarter contract will comprise 3,000 tonnes A calendar contract will comprise 12,000 tonnes
Currency	US Dollars
Minimum Tick	\$0.01 per tonne
Option Type	Options are single expiry European style options and will be automatically exercised on the expiry day if they are in-the-money unless set to expire manually. If an option is out-of-the-money it will expire automatically unless exercised manually. Manual exercise is only permitted on expiry day.
Contract Series	3 to 6 quarter contracts and 3 whole calendar contracts. All option contracts expire into the underlying months of the corresponding contract series.
Strike Price	Any whole \$ value

**Precious Metals Division:**

**Gold**

<b>Description</b>	Physically settled contracts for the forward delivery of Unallocated Gold
<b>Unit of Trading</b>	One lot of 100 fine troy ounces
<b>Minimum Contract Size</b>	One lot
<b>Currency</b>	US Dollars
<b>Tick Size</b>	US\$ 0.001 per fine troy ounce of gold
<b>Contract Series</b>	Daily out to 10 years from the spot date

**Silver**

<b>Description</b>	Physically settled contracts for the forward delivery of Unallocated Silver
<b>Unit of Trading</b>	One lot of 5,000 <del>Troy</del> <u>Fine</u> Ounces of Silver
<b>Minimum Contract Size</b>	One lot
<b>Currency</b>	US Dollars
<b>Tick Size</b>	US\$ 0.001 Per <del>Troy</del> <u>Fine</u> Ounce Of Silver
<b>Contract Series</b>	Daily out to <del>3</del> <u>10</u> years from the spot date

~~SCHEDULE 5~~ **SCHEDULE TO THE**  
**TURQUOISE DERIVATIVES REGULATIONS**

**Part A**

**PART A**  
**TURQUOISE DERIVATIVES CLEARED EXCHANGE CONTRACT TERMS ARISING  
FROM TURQUOISE DERIVATIVES OTC TRADES**

The terms of a registered Turquoise Derivatives Cleared Exchange Contract arising from a Turquoise Derivatives OTC Trade shall include these Contract Terms which shall comprise:

- (1) Interpretation; and
- (2) Economic Terms; and
- (3) Standard Terms.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the Regulations and the Procedures, the Clearing House will use these Contract Terms to calculate the amounts due under this Turquoise Derivatives Cleared Exchange Contract to, or from, the Clearing House in accordance with the Procedures.

For the purposes of this Schedule any reference to a Turquoise Derivatives Cleared Exchange Contract shall be a reference to a Turquoise Derivatives Cleared Exchange Contract arising from a Turquoise Derivatives OTC Trade in accordance with the Regulations.

**1. Interpretation**

~~4.4.1.1~~ **ISDA Definitions** means the 2002 ISDA Equity Derivatives Definitions as published by the International Swaps and Derivatives Association, Inc. (~~“ISDA”~~), and the same are incorporated by reference herein.

~~4.2.1.2~~ Words and expressions used in these Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the **ISDA Definitions** shall the same meaning herein as the ISDA Definitions, unless expressly provided otherwise.

~~4.3.1.3~~ In the event of an inconsistency between the Regulations and the Procedures and the ISDA Definitions, the Regulations and Procedures will prevail.

~~4.4.1.4~~ References in the ISDA Definitions to an **Option Transaction**, **Forward Transaction**, or **Futures Transaction** shall be deemed to be references to a **Turquoise Derivatives OTC Trade**.

~~4.5.1.5~~ Except where expressly stated otherwise, all reference to **Articles** means Articles in the ISDA Definitions as published by ISDA.

~~4.6.1.6~~ In relation to any amendments to the ISDA Definitions, the Clearing House may from time to time, by notice delivered to Clearing Members, give directions as to whether such

amendment shall apply to EDX Cleared Exchange Contracts with immediate effect or with such deferred effect as the Clearing House shall determine.

~~4.7.1.7~~ Any such notice may provide that the amendment to the ISDA Definitions may take effect so as to apply to Turquoise Derivatives Cleared Exchange Contracts registered in a Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines.

~~4.8.1.8~~ The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by any Clearing Member shall not invalidate the amendment with which the notice is concerned.

## 2. Economic Terms

~~2.1.2.1~~ The Economic Terms of a Turquoise Derivatives Cleared Exchange Contract shall be derived from the information presented to the Clearing House by TGHL in respect of the terms designated as Economic Terms in this Schedule.

~~2.2.2.2~~ It is part of the eligibility criteria for registration as a Turquoise Derivatives Cleared Exchange Contract that the particulars of a Turquoise Derivatives OTC Trade presented to the Clearing House must include matched information in respect all such designated Economic Terms.

~~2.3.2.3~~ The Economic Terms comprise:

- ~~(i)~~ (i) Trade Date (see Article 1.17 for definition);
- ~~(ii)~~ (ii) Buyer (see Article 1.18 for definition);
- ~~(iii)~~ (iii) Seller (see Article 1.19 for definition);
- ~~(iv)~~ (iv) Settlement Currency (see Article 1.33 for definition);
- ~~(v)~~ (v) Cash-settled (see Article 1.38 for definition) or Physically-settled (see Article 1.39 for definition);
- ~~(vi)~~ (vi) if Cash-settled, Cash Settlement Payment Date (see Article 8.8 for definition)
- ~~(vii)~~ (vii) if Physically-settled, Settlement Date (see Article 9.4 for definition);
- ~~(viii)~~ (viii) Where an Option transaction:
  - ~~(a)~~ (a) Commencement Date (see Article 2.1-(a) for definition);
  - ~~(b)~~ (b) Number of Options (see Article 2.1-(b) for definition);
  - ~~(c)~~ (c) Option Entitlement (see Article 2.1-(c) for definition);
  - ~~(d)~~ (d) American Option (see Article 2.2-(a) for definition) or European Option (see Article 2.2-(b) for definition);

- ~~(e)~~ (e) Call (see Article 2.3-(a) for definition) or Put (see Article 2.3-(b) for definition);
- ~~(f)~~ (f) Payment of Premium (see Article 2.4-(a) for definition);
- ~~(g)~~ (g) Premium (see Article 2.4-(b) for definition);
- ~~(h)~~ (h) Premium Payment Date (see Article 2.4-(c) for definition);
- ~~(i)~~ (i) Exercise Period (see Article 3.1-(a) for definition);
- ~~(j)~~ (j) Exercise Date (see Article 3.1-(b) for definition);
- ~~(k)~~ (k) Expiration Date (see Article 3.1-(a) for definition);
- ~~(ix)~~ (ix) Where a Forward Transaction:
  - ~~(a)~~ (a) Forward Price (see Article 4.1-(a) for definition);
  - ~~(b)~~ (b) Expiration Date.
- ~~(x)~~ (x) Where a Futures Transaction:
  - ~~(a)~~ (a) Futures Price;
  - ~~(b)~~ (b) Expiration Date.
- ~~(xi)~~ (xi) Where Share Option, Share Forward or Share Future Transaction:
  - ~~(a)~~ (a) Number of Shares (see Article 1.20 for definition);
  - ~~(b)~~ (b) Number of Shares to be Delivered (see Article 9.5 for definition).

**PROVIDED, however, that,** where in the “Option Transaction”, “Forward Transaction”, or “Future Transaction” a Clearing Member is party as the Seller (“the First Member”) with the other Clearing Member as the party being the buyer (“the Second Member”) the Clearing House, in respect of each Turquoise Derivatives Cleared Exchange Contract to which it is party shall be (i) the Buyer to the First Member and (ii) the Seller to the Second Member.

### 3. Standard Terms

The following terms are designated as Standard Terms of a registered Turquoise Derivatives Cleared Exchange Contract:

#### 3.4.3.1 *Other Relevant Definitions*

“Exchange” is defined in Article 1.25.

“Settlement price” is defined in Article 7.3.

### ~~3.2.3.2~~ 3.2.3.2 *Calculation Agent*

The Calculation Agent is the Clearing House.

### ~~3.3.3.3~~ 3.3.3.3 *Withholding Tax Provisions*

All payments due under a Turquoise Derivatives Cleared Exchange Contract shall be made by the Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

The Clearing House shall make any payments due to a Clearing Member net of any deduction or withholding for or on account of any tax it is required to make from such payments.

### ~~3.4.3.4~~ 3.4.3.4 *Payment of Stamp Tax*

Each Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any Turquoise Derivatives Cleared Exchange Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (~~“(“Stamp Tax Jurisdiction”)~~) or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by any other jurisdiction in respect of any Turquoise Derivatives Cleared Exchange Contract registered by the Clearing House and to which that Clearing Member is a party.

### ~~3.5.3.5~~ 3.5.3.5 *Payments under a Turquoise Derivatives Cleared Exchange Contract*

Payments under, and in respect of, a Turquoise Derivatives Cleared Exchange Contract shall be calculated by the Clearing House and shall be made by, or to, the Clearing Member in accordance with the provisions of the Procedures.

### ~~3.6.3.6~~ 3.6.3.6 *Regulations*

This Turquoise Derivatives Cleared Exchange Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### ~~3.7.3.7~~ 3.7.3.7 *Governing Law*

This Turquoise Derivatives Cleared Exchange Contract shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The Clearing Member party to this Turquoise Derivatives Cleared Exchange Contract irrevocably submits to such jurisdiction and to waive any objection it might otherwise have



to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

### ~~3.8.~~3.8 *Third Party Rights*

A person who is not a party to this Turquoise Derivatives Cleared Exchange Contract shall have no rights under or in respect of this Contract. 3 Rights of third parties to enforce any terms of this Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**SCHEDULE TO THE ~~Turquoise Derivatives~~ REGULATIONS**

**Part B**

## PART B

### PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN TURQUOISE DERIVATIVES OTC TRADE

#### 1. **Turquoise Derivatives OTC Trades**

1.1 Without prejudice to the Regulations and the Procedures, the Clearing House may decline to register to register a Turquoise Derivatives OTC Trade unless at the time that the required particulars of that Turquoise Derivatives OTC Trade are presented:

- (a) the Turquoise Derivatives OTC Trade meets the eligibility criteria, set out in ~~s~~Section 2~~-below~~ below for an eligible Turquoise Derivatives OTC Trade, and all other requirements of the Clearing House from time to time including the requirements set out in these Regulations and Procedures; and
- (b) details of the Turquoise Derivatives OTC Trade are submitted for registration in accordance with the Regulations, the Procedures and all other requirements from time to time of the Clearing House; and
- (c) the parties to the Turquoise Derivatives OTC Trade are Clearing Members approved by the Clearing House as persons eligible to submit such trades for registration by the Clearing House ~~-or Turquoise Derivatives Non-Clearing Members~~, so approved,

and the requirements of ~~(a)~~(a) to (c) inclusive and Section ~~22~~ 22 continue to be satisfied at Registration Time.

#### 2. **Product Eligibility Criteria for a Turquoise Derivatives OTC Trade**

~~“Eurozone”~~<sup>22</sup> means either a share listed on a French, German, Dutch, Finnish, Spanish or Italian market

<u>Contract</u>	<u>Expiration Date</u>		<u>Option Type</u>	<u>Contract Size</u>	<u>Currency</u>	<u>Option Premium</u>	<u>Settlement Type</u>		<u>Settlement Date</u>
Eurozone Share Option	Less	than	American/ European	1	Euro	Payable Trade Date +1	Physical or Cash Settlement		ED+2/3
Eurozone Share Future/ Forward	Less	than	N/A	1	Euro	N/A	Physical or Cash Settlement		ED+2/3
Swiss Share Option	Less	than	American/ European	1	CHF	Payable Trade Date +1	Physical or Cash Settlement		ED+3
Swiss Share Future/ Forward	Less	than	N/A	1	CHF	N/A	Physical or Cash Settlement		ED+3
UK Share Option	Less	than	American/ European	1	GBP	Payable Trade Date +1	Physical or Cash Settlement		ED+3

<b>Contract</b>	<b>Expiration Date</b>		<b>Option Type</b>	<b>Contract Size</b>	<b>Currency</b>	<b>Option Premium</b>	<b>Settlement Type</b>		<b>Settlement Date</b>
UK Share Future/Forward	Less than 5 years		N/A	1	GBP	N/A	Physical or Cash Settlement		ED+3
Eurozone Index Options	Less than 5 Years		European	1	Euro	Payable Trade Date +1	Cash Settlement		ED+1
Eurozone Index Future/Forward	Less than 5 Years		N/A	1	Euro	N/A	Cash Settlement		ED+1
Swiss Index Option	Less than 5 Years		European	1	CHF	Payable Trade Date +1	Cash Settlement		ED+1
Swiss Index Future/Forward	Less than 5 Years		N/A	1	CHF	N/A	Cash Settlement		ED+1
UK Index Option	Less than 5 Years		European	1	GBP	Payable Trade Date +1	Cash Settlement		ED+1
UK Index Future/Forward	Less than 5 Years		N/A	1	GBP	N/A	Cash Settlement		ED+1

~~SCHEDULE TO~~

**SCHEDULE 6**  
**THE FOREXCLEAR REGULATIONS**

**Part A**

**PART A**  
**FOREXCLEAR CONTRACT TERMS**

The terms of a registered ForexClear Contract shall include these ForexClear Contract Terms which shall comprise:

- ~~(1)~~ (1) Interpretation;
- ~~(2)~~ (2) Economic Terms; and
- ~~(3)~~ (3) Standard Terms, being both the:
  - ~~A.~~ A. Specific Standard Terms; and
  - ~~B.~~ B. General Standard Terms

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms will prevail.

Subject to the Regulations and the Procedures, the Clearing House will use the ForexClear Contract Terms applicable to a ForexClear Contract to calculate the amounts due under the ForexClear Contract to, or from, the Clearing House in accordance with the Procedures.

**1. Interpretation (~~“(“Interpretation”)~~)**

~~4.4.1.1~~ 4.4.1.1 ~~“(ISDA Definitions”)~~ means the 1998 FX and Currency Options Definitions (including Annex A thereto) as published by the International Swaps and Derivatives Association, Inc. (~~“(ISDA”)~~), the Emerging Markets Trade Association (~~“(EMTA”)~~) and The Foreign Exchange Committee (~~“(FXC”)~~) and the same are incorporated by reference herein.

~~4.2.1.2~~ 4.2.1.2 Words and expressions used in these ForexClear Contract Terms which are not defined in the Regulations and the Procedures but which are defined in the ISDA Definitions shall bear the same meaning herein as in the ISDA Definitions, unless expressly provided otherwise.

~~4.3.1.3~~ 4.3.1.3 In the event of an inconsistency, the Regulations and Procedures will prevail over the ISDA Definitions.

~~4.4.1.4~~ 4.4.1.4 References in the ISDA Definitions to an ~~“(FX Transaction”)~~ shall be deemed to be references to a ~~“(ForexClear Transaction”)~~ for the purposes of ForexClear.

~~4.5.1.5~~ 4.5.1.5 Except where expressly stated otherwise, all reference to ~~“(Sections”)~~ means Sections in the ISDA Definitions.

~~4.6.1.6~~ 4.6.1.6 In relation to any amendment to the ISDA Definitions published from time to time by ISDA, EMTA and FXC, the Clearing House may from time to time, by notice delivered to the ForexClear Clearing Members, give directions as to whether such amendment shall apply to ForexClear Contracts with immediate effect or with such deferred effect as the Clearing

House shall determine (provided that in any event any such amendment shall only apply in relation to ForexClear Contracts that have a Trade Date that falls on or after the effective date of such amendment).

~~1.7.1.7~~ Any such notice may provide that despite the application of any such amendment to the ISDA Definitions to ForexClear Contracts going forward, these ForexClear Contracts shall continue, for the purpose of margining, valuation, set-off or otherwise, to be regarded as fully fungible with ForexClear Contracts registered in a ForexClear Clearing Member's name prior to the time such amendment comes into effect.

~~1.8.1.8~~ The accidental omission to give notice under this provision to, or the non-receipt of notice under 1.6 or 1.7 above by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

## 2. Economic Terms

~~2.1.2.1~~ The Economic Terms of a ForexClear Contract shall be derived from the information presented to the Clearing House by the parties to the corresponding ForexClear Transaction.

~~2.2.2.2~~ The particulars of a ForexClear Transaction presented to the Clearing House must include matched information in respect of the following Economic Terms which are not predetermined in the EMTA Templates:

~~(1)(a)~~ Trade Date (Section 1.25)

~~(2)(b)~~ Forward Rate (Section 2.1(a))

~~(3)(c)~~ Reference Currency Notional Amount (Section 1.21) or Notional Amount (Section 1.17(b)) in USD

~~(4)(d)~~ Reference Currency Buyer (Section 1.20)

~~(5)(e)~~ Reference Currency Seller (Section 1.22)

~~(6)(f)~~ scheduled Settlement Date (Section 1.24) (without prejudice to the adjustments set out in the relevant EMTA Template)

~~(7)(g)~~ Scheduled Valuation Date (Section 1.16(f)) (without prejudice to the adjustments set out in the relevant EMTA Template).

~~2.3.2.3~~ However, as set out more particularly in Regulation ~~10590~~, where the ForexClear Transaction specifies a ForexClear Clearing Member as the Reference Currency Seller, with the other ForexClear Member as the Reference Currency Buyer, the Clearing House, in respect of each ForexClear Contract to which it is party pursuant to the corresponding ForexClear Transaction, shall be (i) the Reference Currency Buyer; and (ii) the Reference Currency Seller under such ForexClear Contract, respectively.

3. **Specific Standard Terms (~~“(“Specific Standard Terms”)~~)**

The following terms are designated as Specific Standard Terms of a registered ForexClear Contract:

~~3.1.3.1~~ The EMTA template for Non-Deliverable FX Transactions appropriate to the particular Currency Pair (in effect and as posted on the website of EMTA ([www.emta.org](http://www.emta.org) or any successor website on the relevant Trade Date) (each an ~~“(“EMTA Template”)~~), governs the terms of a ForexClear Contract relating to such Currency Pair, other than the Economic Terms set out in Part 2 above and the Specific Standard Terms and the General Standard Terms set out in this Part 3. For the avoidance of doubt, each EMTA Template shall be deemed to exclude the EMTA Template Terms for Non-Deliverable Cross-Currency FX Transactions published by EMTA on 31 May 2011.

~~3.2.3.2~~ In the format ~~“(“Reference Currency – Settlement Currency”)~~, the Currency Pairs are

~~(1)(a)~~ BRL-USD

~~(2)(b)~~ CLP-USD

~~(3)(c)~~ CNY-USD

~~(4)(d)~~ INR-USD

~~(5)(e)~~ KRW-USD

~~(6)(f)~~ RUB-USD

~~(7)(g)~~ COP-USD

~~(8)(h)~~ IDR-USD

~~(9)(i)~~ MYR-USD

~~(10)(j)~~ PHP-USD

~~(11)(k)~~ TWD-USD

~~3.3.3.3~~ Certain Specific Standard Terms of each ForexClear Contract are not provided in the EMTA Templates, but the parties to the corresponding ForexClear Transaction will be required to accept the Specific Standard Terms set out below in each ForexClear Contract:

~~(1)(a)~~ Date of Annex A (Section 4.2):

Annex A to the ISDA Definitions is incorporated as amended as at the Trade Date.

~~(2)(b)~~ Reference Currency (Section 1.19):

To be determined by using the EMTA Template appropriate to the particular Currency Pair.



(c) Calculation Agent (Section 1.3):

~~(3)~~ The Clearing House is the Calculation Agent.

~~3.4.3.4~~ If the terms of an EMTA Template conflict with these ForexClear Contract Terms, these ForexClear Contract Terms shall prevail. If the terms of an EMTA Template conflict with the ISDA Definitions, the terms of the EMTA Template shall prevail.

4. **General Standard Terms** (~~“(General Standard Terms)”~~)

The following terms are designated as General Standard Terms of a registered ForexClear Contract:

~~4.1.4.1~~ **Business Days**

For the purposes of determining the Settlement Date only, in addition to the Business Days for the Principal Financial Centers for the Currency Pair specified in the relevant Economic Terms, the Business Days specified in the SwapsMonitor Financial Calendar as published by Swaps Monitor Publications, Inc. (as further detailed in the Procedures) from time to time, will apply to a ForexClear Contract.

~~4.2.4.2~~ **Withholding Tax Provisions**

~~4.2.1.(a)~~ All payments due under a ForexClear Contract shall be made by the ForexClear Clearing Member free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the ForexClear Clearing Member, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Clearing House receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

~~4.2.2.(b)~~ All payments due under a ForexClear Contract shall be made by the Clearing House free and clear and without deduction or withholding for or on account of any tax. Payments in respect of which such deduction or withholding is required to be made, by the Clearing House, shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the ForexClear Clearing Member receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

~~4.3.4.3~~ **Payment of Stamp Tax**

Each ForexClear Clearing Member will pay any Stamp Tax or duty levied or imposed upon it in respect of any ForexClear Contract to which it is a party by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (~~“(Stamp Tax Jurisdiction)”~~) or by any other jurisdiction, and will indemnify the Clearing House against any Stamp Tax or duty levied or imposed upon the Clearing House by any such Stamp Tax Jurisdiction or by

any other jurisdiction in respect of any ForexClear Contract registered by the Clearing House and to which that ForexClear Clearing Member is a party.

## 5. Discontinuation of a Settlement Rate Option

### 5.1 If:

- (a) the administrator of a benchmark that is a Settlement Rate Option has publicly announced that it will discontinue publication of the benchmark (“Discontinued Rate”); and
- (b) ISDA has published a “Multilateral Amendment Agreement” to amend certain transactions to use an alternative benchmark (“Substitute Rate”) in the lieu of the Discontinued Rate on and from a specified date (“Effective Date”).

then, in respect of a ForexClear Contract in respect of which a Settlement Rate has not been determined as at the Effective Date and which references the Discontinued Rate (“Affected ForexClear Contract”), the Clearing House may, by written notice to all ForexClear Clearing Members, amend the Settlement Rate Option of each Affected ForexClear Contract to reference the Substitute Rate with effect on and from the Effective Date and specify such incidental amendments to the Affected ForexClear Contract as may be required.

The terms “ISDA”, “Settlement Rate Option” and “Valuation Date” have the meanings given to them by the ForexClear Contract Terms.

5.2 The accidental omission to give notice under this provision to, or the non-receipt of notice by, any ForexClear Clearing Member shall not invalidate the amendment with which the notice is concerned.

### **4.4.6. Payments under a ForexClear Contract**

Payments under, and in respect of, a ForexClear Contract shall be calculated by the Clearing House and shall be made by, or to, the ForexClear Clearing Member in accordance with the provisions of the Procedures.

### **4.5.7. Regulations**

A ForexClear Contract shall be subject to the Regulations and the Procedures, which shall form a part of its terms. In the event of any inconsistency between these ForexClear Contract Terms and the Regulations and the Procedures, the Regulations and the Procedures will prevail.

### **4.6.8. Governing Law**

Each ForexClear Contract, and any non-contractual obligations arising out of or in connection with it, shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree for the benefit of the Clearing House that the courts of England and Wales shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. The ForexClear Clearing Member party hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the

Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the Clearing House from taking action in any other jurisdiction, whether concurrently or not.

#### **4.7.9. Third Party Rights**

A person who is not a party to this ForexClear Contract shall have no rights under or in respect of it. Rights of third parties to enforce any terms of this ForexClear Contract pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

Part B

**PART B**  
**REGISTRATION OF A FOREXCLEAR CONTRACT - PRODUCT ELIGIBILITY CRITERIA**

**1. Registration of a ForexClear Contract**

Without prejudice to the Regulations and the Procedures, the Clearing House will only register a ForexClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the Product Eligibility Criteria set out in paragraph 2 below for a ForexClear Transaction;
- (b) each party to the transaction is either (i) a ForexClear Dealer or (ii) a ForexClear Clearing Member who has not been declared a defaulter by the Clearing House;
- (c) the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered has not been declared a defaulter by the Clearing House.

and the requirements of Paragraph 1(a), (b) and (c) above continue to be satisfied at the Registration Time.

**2. Product Eligibility Criteria for a ForexClear Contract**

<b>Instrument</b>	Non-Deliverable FX Transaction
<b>Economic Terms</b>	The transaction particulars submitted to the Clearing House specify all the Economic Terms.
<b>Reference Currency</b>	One of
	<del>1.</del> BRL - Brazilian Real,
	<del>2.</del> RUB - Russian Rouble,
	<del>3.</del> INR - Indian Rupee,
	<del>4.</del> CLP - Chilean Peso,
	<del>5.</del> CNY - Chinese Yuan,
	<del>6.</del> KRW - South Korean Won,
	<del>7.</del> COP – Colombian Peso,
	<del>8.</del> IDR – Indonesian Rupiah,
	<del>9.</del> MYR – Malaysian Ringgit,
	<del>10.</del> PHP – Philippine Peso, or

	<del>44.</del> TWD – Taiwan Dollar.
<b>Valuation Date</b>	A valid Business Day for the Currency Pair to which the ForexClear Transaction relates and determined as set out in the relevant EMTA Template for the Currency Pair.
<b>Settlement Date</b>	A date falling:
	<del>A.</del> not earlier than the date falling three business days immediately following the Submission Date; and
	<del>B.</del> not later than the date falling two calendar years plus two business days immediately following the Submission Date, provided that in each case such date shall be, with respect to the Currency Pair to which the ForexClear Transaction relates: (i) a valid Business Day, (ii) a date falling the Number of Business Days (as defined in the Procedures) following the Valuation Date and (iii) determined as set out in the relevant EMTA Template
<b>Settlement Type</b>	Non-Deliverable
<b>Settlement Currency</b>	USD
<b>Calculation Agent</b>	The Clearing House

**LCH.Clearnet Rule Submission**

**Exhibit 9  
Black-line of UK Procedures**

**SECTION 1**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 1**

**CLEARING MEMBER, NON-MEMBER MARKET  
PARTICIPANT AND DEALER STATUS**

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CONTENTS

<u>Section</u>	<u>Page</u>
<del>1. CLEARING MEMBER, DEALER, EQUITYCLEAR AND TURQUOISE DERIVATIVES NCMs (NON-CLEARING MEMBERS)</del> .....	<del>2</del>
<del>1.1 APPLICATION PROCEDURE</del> .....	<del>2</del>
<del>1.2 CRITERIA FOR CLEARING MEMBER STATUS</del> .....	<del>4</del>
<del>1.3 DEALER STATUS CRITERIA</del> .....	<del>7</del>
<del>1.4 EQUITYCLEAR NON-CLEARING MEMBER STATUS</del> .....	<del>9</del>
<del>1.5 EXCHANGE NON-CLEARING MEMBERS STATUS</del> .....	<del>10</del>
<del>1.6 EXTENSION OF CLEARING ACTIVITIES</del> .....	<del>11</del>
<del>1.7 TERMINATION OF CLEARING MEMBER STATUS</del> .....	<del>12</del>
<del>1.8 NET CAPITAL REQUIREMENTS</del> .....	<del>12</del>
<del>1.9 CALCULATION OF NET CAPITAL</del> .....	<del>17</del>
<del>1.10 REPORTING</del> .....	<del>18</del>
<del>1.11 ADDITIONAL REQUIREMENTS</del> .....	<del>20</del>
<del>1.12 OTHER CONDITIONS</del> .....	<del>20</del>
<u>1. Clearing Member, Non-Member Market Participant and Dealer Status</u> .....	<u>1</u>
<u>1.1 Application Procedure – Clearing Member, Special Clearing Member and Dealer Status</u> .....	<u>1</u>
<u>1.2 Non-Member Market Participant Status</u> .....	<u>3</u>
<u>1.3 Criteria for Clearing Member Status</u> .....	<u>4</u>
<u>1.4 Dealer Status Criteria</u> .....	<u>10</u>
<u>1.5 Extension Of Clearing Activities</u> .....	<u>11</u>
<u>1.6 Termination Of Clearing Member Status</u> .....	<u>13</u>
<u>1.7 Net Capital Requirements</u> .....	<u>13</u>
<u>1.8 Calculation Of Net Capital</u> .....	<u>18</u>
<u>1.9 Reporting</u> .....	<u>20</u>
<u>1.10 Additional Requirements</u> .....	<u>21</u>
<u>1.11 Other Conditions</u> .....	<u>22</u>

~~CLEARING MEMBER, DEALER, EQUITYCLEAR AND TURQUOISE DERIVATIVES  
NCMs (NON-CLEARING MEMBERS)~~

~~APPLICATION PROCEDURE~~

## 1. CLEARING MEMBER, NON-MEMBER MARKET PARTICIPANT AND DEALER STATUS

### 1.1 Application Procedure – Clearing Member, Special Clearing Member and Dealer Status

An application for Clearing Member status of the Clearing House, or for ~~D~~dealer status (whether as a ForexClear Dealer, RepoClear Dealer or SwapClear Dealer, each a ~~“Dealer”~~ or for other Non-Clearing Member status (~~EquityClear or Turquoise Derivatives~~), “Dealer”) must be made on the appropriate form which can be obtained from the Clearing House’s Membership team. Additional information (including legal documents) must be supplied where necessary and submitted to the Clearing House with the completed form.

An application for the status of special Clearing Member (~~“Special Clearing Member”~~) must be initiated by a written request to the Clearing House. The nature of the application procedure and the documents and information required from the applicant will be determined by the Clearing House by reference to the nature of the application and will be notified by the Clearing House to the applicant upon receipt of such written request.

Applicants approved by the Clearing House for Clearing Member or Dealer status, (~~“Approved Applicants”~~) must, within six months of notification of their approval, fulfil all conditions attached to their approval. If an Approved Applicant does not fulfil all such conditions within these six months, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and may notify the prospective Clearing Member or Dealer accordingly that they will be required to provide further information, following which the application will be submitted for re-approval.

Clearing Members have the right to apply for approval to clear one or more of the markets cleared by the Clearing House, subject to meeting the requirements of the Clearing House in respect of each such market. Please note that Clearing Member status does not provide membership of the company LCH.Clearnet Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH.Clearnet Group Limited or any entitlement or right to participate in any way in LCH.Clearnet SA or the clearing services it offers. LCH.Clearnet SA has its own arrangements and admission criteria for Clearing Member status – see the LCH.Clearnet SA ~~s~~Sections of the LCH.Clearnet website for further details.

Applicants approved as Dealers for ForexClear, RepoClear and/or SwapClear will be admitted to the Register of ForexClear Dealers, Register of RepoClear Dealers, and/or the Register of SwapClear Dealers (~~“the OTC Registers”~~), as appropriate. Successful admission to one OTC Register does not confer automatic admission to any other OTC Register.

#### 1.1.1 Clearing Member Status

The terms and conditions binding on each Clearing Member are set out in the Clearing Membership Agreement as amended. Two copies of this document will be provided to the applicant who must sign both (but not date them) and

return them to the Clearing House's Membership team along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for Clearing Member status and is non refundable.

If and when Clearing Member status is granted, new Clearing Members will receive a duly executed (and dated) copy of the Clearing Membership Agreement together with the notification of acceptance and details of any condition(s) attached to Clearing Member status. If granted, Clearing Member status is subject to ~~a Contribution~~ the making of Contributions to the ~~Default Fund~~ default fund(s) of the Clearing House ~~(DF)~~ related to the Services cleared by the relevant Clearing Member, as determined by the Clearing House under the Default ~~Fund~~ Rules.

### 1.1.2 *Dealer Status*

The terms and conditions of admission to each of the OTC Registers are set out in the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement and the SwapClear Dealer Clearing Agreement (~~“the OTC Agreements”~~) as amended. Admission to each OTC Register requires that three copies of the corresponding OTC Agreement must be signed by the applicant and their proposed Clearing Member.

The copies of the relevant OTC Agreement should be returned, undated, to the Clearing House's Membership team along with the application documentation.

If and when admission to an OTC Register is granted, new Dealers will receive a duly executed and dated copy of the relevant OTC Agreement, together with the notification of acceptance and details of any condition(s) attached to their admission. The Clearing House will send, under separate cover, a copy of the duly executed and dated OTC Agreement to the elected Clearing Member.

### 1.1.3 *Conditions of Application*

An applicant for Clearing Member or Dealer status must accept that the Clearing House:

- (a) is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;
- (b) is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;
- (c) is entitled to provide and/or disclose information to an exchange, governmental department, regulatory organisation, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to the provisions of the Financial Services and Markets Act 2000 as amended and any rules made

thereunder, or in accordance with any other statutory requirement, and in accordance with the terms of the Clearing Membership Agreement, the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement, or the SwapClear Dealer Clearing Agreement as applicable;

(d) may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and

(e) will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

Conditions (a) to (e) apply equally to Clearing Members and to Dealers.

## ~~CRITERIA FOR CLEARING MEMBER STATUS~~

### General

1.2 ~~An applicant must satisfy the criteria set out below in order to be considered~~ Non-Member Market Participant Status

#### 1.2.1 Criteria for NCP status

A Clearing Member may only appoint a person as an NCP in respect of a particular Service where such person:

(a) is party to an agreement with an Exchange (including, for the avoidance of doubt, TGHL) or Approved EquityClear Trading Platform (as applicable) pursuant to which:

(i) such person is a Participant in, as applicable,

(A) the relevant Trading System; or

(B) an Approved EquityClear Trading Platform; or

(C) a Turquoise Derivatives Platform; and

(ii) such person is subject to, as applicable,

(A) the relevant Exchange Rules (including, for the avoidance of doubt, the Turquoise Derivatives Rules);  
or

(B) the rules and procedures of the Approved EquityClear Trading Platform; and

(b) is party to a valid and enforceable arrangement with a Clearing Member pursuant to which:

- (i) such Clearing Member authorises the NCP to act as its agent and on its behalf; and
- (ii) the Clearing Member is entitled at all times to provide to the Clearing House, in accordance with Regulation 41 (Disclosure and Reporting), such information and data relating to the NCP as the Clearing House may in its sole discretion deem appropriate; and
- (c) has been notified to the Clearing House in accordance with Section 1.2.2 below.

### 1.2.2 Notification of appointment of NCP as agent

A Clearing Member must submit to the Clearing House a static data form (which is available on request from the Clearing House), the purpose of which is to inform the Clearing House of the appointment of an NCP as its agent. The submission of the static data form executed by both the relevant Clearing Member and the relevant NCP shall be definitive proof of the Clearing Member's appointment of the NCP to act as its agent and on its behalf. The Clearing House is not obliged to verify the appropriateness or authenticity of the signatures which appear on such static data form, nor that the person signing on behalf of any of the parties had the correct authority to sign.

LCH.Clearnet Ltd contracts with the Clearing Member alone and, to the fullest possible extent permitted by law, disclaims any duties or obligations to any NCP.

### 1.2.3 Termination of NCP status—These

The Clearing Member may terminate its agreement with an NCP at any time by giving 21 days written notice to the relevant Exchange or Approved EquityClear Trading Platform (as applicable) and the Clearing House. For the avoidance of doubt, the Clearing House need not receive any notice of or any confirmation of such termination from the relevant NCP.

## 1.3 Criteria for Clearing Member Status

### 1.3.1 General

The Clearing House imposes certain criteria and requirements in relation to Clearing Member status. The relevant criteria have, in all cases, been established by the Clearing House so as to be non-discriminatory and objective and so as to ensure fair and open access by Clearing Members (whether existing or potential) to the Clearing House.

The relevant criteria are without prejudice to the provisions of the Clearing Membership Agreement which must be executed by the applicant, and must equally be met by Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its

internal risk management policies and procedures as amended from time to time. In the event that the Clearing House refuses an application for membership, the Clearing House will provide reasons for such rejection in writing to the relevant applicant. Clearing Members are referred to the Clearing House's website at [●]<sup>1</sup> for further information about the relevant internal risk management policies and procedures.

The applicant must either be, or have applied to become, a RepoClear Clearing Member (categories F & G), a SwapClear Clearing Member (category H), an EquityClear Clearing Member (categories I & J), a Clearing Member of the relevant exchange(s) (categories B – D), an LCH EnClear OTC Clearing Member (category B), a Special Clearing Member (category K) or a ForexClear Clearing Member (category M). Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related exchange clearing membership(s) requirements are met, but cannot be operational until such requirements are satisfied.

The applicant must, if it also wishes to submit and clear RepoClear, SwapClear and/or ForexClear trades, meet the additional criteria for such status (see ~~sections 1.2.2, 1.2.3 and 1.2.4~~ Sections 1.3.2, 1.3.3 and 1.3.4 respectively). The applicant, any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, as determined by and acceptable to the Clearing House, of the nature, risks and obligations of trading in the markets and contracts they wish to clear.

A Clearing Member of one or more markets who wishes to clear the eContracts of another market cleared by the Clearing House, must apply to the Clearing House for such extension and have the Clearing House<sup>2</sup>'s express written approval before commencing to submit trades in such other market for registration. The prescribed form of document for the relevant new market is available from the Clearing House<sup>2</sup>'s Membership team. Clearing Members should be aware that they also need the appropriate additional exchange clearing membership before they can extend their range of activities in this way. The Clearing Member must, within six months of notification of their approval to extend their activities, fulfil all conditions attached to their approval. If the Clearing Member does not, within these six months, fulfil all such conditions, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and may notify the Clearing Member accordingly that they will be required to provide further information, following which the extension will be submitted for re-approval.

The applicant must satisfy the minimum ~~Net Capital~~ net capital requirements, as set out in ~~s~~ Section 1.8.37.2 ("**Net Capital Requirements**") or such greater amounts as may be required by the Clearing House.

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<sup>1</sup> LCH to insert website reference.

The applicant must open a Protected Payments System (PPS) bank account at one or more of the bank branches participating in PPS:

~~1)(a)~~ (a) in the UK in GBP;

~~2)(b)~~ (b) in the UK in each currency in which it incurs settlements;

~~3)(c)~~ (c) in the USA in US dollars;

~~4)(d)~~ (d) in Hong Kong in US dollars if clearing in certain Asian markets – please see Section 3 ([Financial Transactions](#)) of the Procedures for further information.

and execute all necessary documentation (see the [Protected Payments System Section of the LCH.Cleernet website](#) for further information) in order to manage and open its House and Client accounts.

Clearing Members must ensure that they have contingency arrangements in place to ensure that they will continue to meet their margin obligations in the event of failure of their nominated PPS bank(s).

The applicant must refrain from contravening the general prohibition contained in ~~s~~sSection 19 of the Financial Services and Markets Act 2000.

If the applicant is a bank, it must at all times be appropriately authorised by the banking supervisors of its home country and additionally meet any notification or authorisation requirements set by banking supervisors in the United Kingdom.

The applicant must satisfy a minimum internal credit score which is determined by the Clearing House based on analysis of a range of quantitative and qualitative inputs. These include financial analysis, external market data as well as consideration of any implicit or explicit support available to the applicant. The analysis is performed on a predetermined methodology applicable to all applicants.

The applicant must maintain a back office:

(a) remote from both the trading floor and/or trading desks;

(b) with adequate systems (including but not limited to computer and communications systems) and records;

(c) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the Clearing Member participates; and

(d) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by the exchange(s) or EquityClear Approved Trading Platform (~~(“ATP”)~~).



~~or, where the Clearing House Rulebook and exchange rules (where relevant) permit, have executed a Clearing Services Management Agreement (as defined at Section 2H.2.1 of the NYSE Liffe Clearing Service Procedures).~~

Applicants and Clearing Members must at all times respond promptly to enquiries or requests for information made by the Clearing House. Such enquiries may require Applicants and Clearing Members to demonstrate compliance with the applicable membership criteria and/or applicable law or regulation.

Each Clearing Member shall at all times continue to comply with the qualifications and requirements set forth in these Procedures and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

Each Clearing Member shall maintain current written risk management policies and procedures which address the risks that the relevant Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, a Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.

Clearing Members are required to promptly ~~to~~ notify or pre-notify the Clearing House of any changes which may result in non-compliance with the Clearing Member status criteria as stated in these Procedures.

#### ~~4.2.2~~1.3.2 *Supplementary Criteria Applicable to RepoClear Applicants*

In addition to the minimum Net Capital Requirements as set out in ~~section 1.8.3, applicants~~Section 1.7.2, an applicant must satisfy the following criteria:

- (a) be authorised and supervised as either a credit institution or an investment firm by the competent authorities of a member state of the European Union; or
- (b) be authorised and supervised as the equivalent of a credit institution or an investment firm by the competent authorities of a country outside the European Union and be subject to prudential rules considered to be as stringent as those applicable to credit institutions and investment firms.

#### ~~4.2.3~~1.3.3 *Supplementary Criteria Applicable to SwapClear Applicants*

In addition to the minimum Net Capital Requirements as set out in ~~s~~Section 1.8.37.2, an applicant must satisfy the following criteria:

- (a) successfully participate, or demonstrate that it has: (i) an affiliated SwapClear Clearing Member ~~(“SCM”)~~ that can successfully participate; or (ii) an LCH Approved Outsourcing Party that can successfully participate in a SwapClear ~~“fire drill”~~ run by the Clearing House which shall involve submitting a bid for a notional

portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's SCM application will not be approved;

- (b) be able to participate or demonstrate that it has: (A) an affiliated SCM that can participate; or (B) an LCH Approved Outsourcing Party that can successfully participate, in the **Default Management Process** default management process as operated by the Clearing House;
- (c) have, within its corporate group, at least one credit institution or investment firm licensed by the competent authorities of a member state of the European Union, or the equivalent of a credit institution or an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to credit institutions and investment firms within the European Union; and
- (d) in the event of a default, be able to receive from the Clearing House and to process SwapClear Contracts, and any associated hedge trades, in FPML format or in separated value electronic format.

Membership criteria for FCM Clearing Member status are contained in the Clearing House's FCM Regulations.

#### 1.3.4 Supplementary Criteria Applicable to ForexClear Applicants

In addition to the minimum Net Capital Requirements as set out in Section 1.7.2, an applicant must satisfy the following criteria:

- (a) successfully participate, or demonstrate that it has: (i) an affiliated ForexClear Clearing Member ("FXCCM") that can successfully participate; or (ii) an LCH Approved Outsourcing Party that can successfully participate, in a ForexClear "fire drill" run by the Clearing House which shall involve submitting a bid for a notional portfolio of trades within specific currency pairs in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's FXCCM application will not be approved;
- (b) be able to participate or demonstrate that it has: (A) an affiliated FXCCM that can successfully participate; or (B) an LCH Approved Outsourcing Party that can successfully participate, in the ForexClear default management process as operated by the Clearing House;
- (c) have, within its corporate group, at least one credit institution or investment firm licensed by the competent authorities of a member state of the European Union, or the equivalent of a credit institution or

an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to credit institutions and investment firms within the European Union; and

~~in the event of a default, be able to receive from the Clearing House and process SwapClear contracts, and any associated hedge trades, in FPML format or, separated value electronic format.~~

~~Membership criteria for FCM Clearing Member status are contained in the Clearing House's FCM Regulations.~~

#### ~~Supplementary Criteria Applicable to ForexClear Applicants~~

~~In addition to the minimum Net Capital Requirements as set out in section 1.9.3, an applicant must satisfy the following criteria:~~

~~successfully participate, or demonstrate that it has: (i) an affiliated ForexClear Clearing Member (FXCCM) that can successfully participate; or (ii) an LCH Approved Outsourcing Party that can successfully participate, in a ForexClear "fire drill" run by the Clearing House which shall involve submitting a bid for a notional portfolio of trades within specific currency pairs in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's FXCCM application will not be approved;~~

~~be able to participate or demonstrate that it has: (A) an affiliated FXCCM that can successfully participate; or (B) an LCH Approved Outsourcing Party that can successfully participate, in the ForexClear Default Management Process as operated by the Clearing House;~~

~~(a) have, within its corporate group, at least one credit institution or investment firm licensed by the competent authorities of a member state of the European Union, or the equivalent of a credit institution or an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to credit institutions and investment firms within the European Union; and~~

~~(d) in the event of a default, be able to receive from the Clearing House and process ForexClear eContracts, and any associated hedge trades, in FPML format or, separated value electronic format.~~

#### ~~4.2.5.1.3.5 Supplementary Criteria Applicable to Special Clearing Member Applicants~~

The Clearing House may agree with an applicant for Special Clearing Member status, in addition to or in place of requirements set out in these Procedures, such further terms as it deems appropriate in the circumstances of the

applicant and its business and these shall be reflected in the Clearing Membership Agreement.

## **DEALER STATUS CRITERIA**

### 1.3.6 Supplementary Criteria Applicable to Clearing Members subject to certain U.S. laws

(a) 12 U.S.C. § 5390(a)(6): Where a Clearing Member is a financial company as such term is defined in 12 U.S.C. § 5381(a)(11) it shall comply with the requirements of 12 U.S.C. § 5390(a)(6) with respect to the execution of the Clearing Membership Agreement and each transaction that is cleared pursuant to the Clearing Membership Agreement and the Rulebook (and the grant of any related security interest to the Clearing House) and it shall be deemed to have confirmed that it complies with 12 U.S.C. § 5390(a)(6) each time that an transaction is submitted for clearing and it delivers Collateral to the Clearing House.

A Clearing Member that is a financial company as such term is defined in 12 U.S.C. § 5381(a)(11) is further required: (i) from the date of entry into the Clearing Membership Agreement (and the grant of any related security interest to the Clearing House), to maintain the Clearing Membership Agreement continuously as an official record of that Clearing Member; and (B) from the date of submission of a transaction for clearing (and the grant of any related security interest to the Clearing House), maintain each agreement evidencing each such transaction continuously as an official record of that Clearing Member.

(b) Insured Depository Institutions: Where a Clearing Member is an insured depository institution under the U.S. Federal Deposit Insurance Act it shall comply with the requirements of 12 U.S.C. § 1823(e) and the policy statements adopted by the Board of Directors of the Federal Deposit Insurance Corporation thereunder with respect to the execution of the Clearing Membership Agreement and each transaction that is cleared pursuant to the Clearing Membership Agreement and the Rulebook (and the grant of any related security interest to the Clearing House) and it shall be deemed to have confirmed that it complies with the requirements of 12 U.S.C. § 1823(e) and the policy statements adopted by the Board of Directors of the Federal Deposit Insurance Corporation thereunder each time that a transaction is submitted for clearing and that Clearing Member delivers Collateral to the Clearing House.

A Clearing Member that is an insured depository institution under the Federal Deposit Insurance Act it is further required: (i) from the date of entry into the Clearing Membership Agreement (and the grant of any related security interest to the Clearing House), to maintain the Clearing Membership Agreement continuously as an official record of that Clearing Member; and (B) from the date of submission of a transaction for clearing (and the grant of any related security interest to

the Clearing House), maintain each agreement evidencing each such transaction continuously as an official record of that Clearing Member.

## 1.4 Dealer Status Criteria

1.4.1 An applicant must satisfy the criteria set out below in order to be considered for admission to the OTC Registers. These requirements are without prejudice to the provisions of the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement and/or the SwapClear Dealer Clearing Agreement, and must equally be met by Dealers.

The applicant and any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, acceptable to the Clearing House, of the nature, risks and obligations of trading foreign exchange transactions, over-the-counter repos and swaps cleared by the Clearing House.

The applicant must be a member of an Approved Trade Matching System (as approved by the Clearing House from time to time).

(a) For RepoClear, see Section 2B of the Procedures (RepoClear).

(b) For SwapClear, see Section 2C of the Procedures (SwapClear).

(c) For ForexClear, see Section ~~2K~~2I of the Procedures (ForexClear).

If the applicant is a bank it must, at all times, be appropriately authorised by the banking supervisors of its home country and additionally meet any notification or authorisation requirements set by banking supervisors in the United Kingdom.

The applicant must maintain a back office:

- (a) remote from both the exchange floor and/or trading desks;
- (b) with adequate systems (including but not limited to computer and communications systems) and records;
- (c) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House in which the applicant participates; and
- (d) with such technology and connectivity as may be stipulated by the Clearing House.

The applicant must have executed and must maintain a ForexClear Dealer Clearing Agreement, a RepoClear Dealer Clearing Agreement and/or a SwapClear Dealer Clearing Agreement in the current standard form.

The applicant may specify any number of branches, with agreement from its corresponding Clearing Member, from which it proposes to submit eligible

ForexClear [Transactions](#), RepoClear [Transactions](#) and/or SwapClear Transactions. It is a requirement that only branches of the same legal entity as the Dealer may be specified. A company which is a different legal entity and which wishes to submit eligible ForexClear, RepoClear and/or SwapClear Transactions for clearing must apply separately for admission to the relevant OTC Register. –ForexClear Dealers, RepoClear Dealers and SwapClear Dealers are entitled to remain on the relevant OTC Register for so long as a valid agreement remains in effect. In the event that the relevant agreement for any ForexClear Dealer, RepoClear Dealer or SwapClear Dealer is terminated, then that Dealer will be removed from the relevant OTC Register.

The applicant must at all times respond promptly to enquiries or requests for information made by the Clearing House.

#### ~~4.3.2~~[1.4.2](#) *ForexClear Dealer Status*

The applicant must have a clearing arrangement for ForexClear transactions in place with an existing ~~FXCCM~~[FXCCM within](#) their corporate group.

#### ~~4.3.3~~[1.4.3](#) *RepoClear Dealer Status*

The applicant must:

~~(a)~~ [\(a\)](#) have minimum Net Capital (as defined in paragraph ~~1.9~~[1.8](#)) of €100mn; ~~and~~

~~(b)~~ [\(b\)](#) either:

~~(b)(i)~~ [\(i\)](#) be authorised and supervised as either a credit institution or an investment firm by the competent authorities of a member state of the European Union; or

~~(b)(ii)~~ [\(ii\)](#) be authorised and supervised as the equivalent of a credit institution or an investment firm by the competent authorities of a country outside the European Union and be subject to prudential rules considered to be as stringent as those applicable to credit institutions and investment firms; ~~and~~ [and](#)

~~(c)~~ [\(c\)](#) have a clearing arrangement for RepoClear transactions in place with an existing RepoClear Clearing Member.

#### ~~4.3.4~~[1.4.4](#) *SwapClear Dealer Status*

The applicant must have a clearing arrangement for SwapClear transactions in place with an existing SwapClear Clearing Member within their corporate group.

### ~~EQUITYCLEAR NON-CLEARING MEMBER STATUS~~

~~A person who does not have Clearing Member status of the Clearing House may nevertheless participate indirectly in the EquityClear Service as an EquityClear Non-~~

~~Clearing Member (“NCM”), subject to compliance with all the Clearing House requirements in this regard.~~

~~In order to participate in the manner described that person (“the Applicant NCM”) must enter into the “EquityClear NCM-GCM Agreement” with a Clearing Member which is authorised by the Clearing House to clear the relevant market. This agreement must be in the form prescribed by the Clearing House. It must then be submitted to the Clearing House, together with the relevant EquityClear Static Data Form duly completed in the form prescribed by the Clearing House for that ATP. If the Clearing House agrees to admit the Applicant NCM to become an EquityClear NCM, as the case may be, it will indicate its consent by signing the agreement and adding the Applicant NCM to the section relating to that ATP in the Register of EquityClear NCMs.~~

~~An NCM is entitled to remain on the Register of NCMs for so long as a valid EquityClear NCM-GCM Agreement remains in effect. In the event that the relevant Agreement for any NCM is terminated, then that NCM will be removed from the Register of NCMs.~~

~~The rights and obligations of an NCM are set out in the EquityClear NCM-GCM Agreement.~~

~~The Clearing House may suspend the EquityClear Open Offer in respect of any ATP, and may, at the request of its GCM, suspend an NCM. Clearing Members and NCMs are referred to Section 2D of the Procedures (EquityClear) in this regard.~~

~~It should be noted that NCMs do not have Clearing Member status.~~

#### ~~EXCHANGE NON-CLEARING MEMBERS STATUS~~

~~A person who does not have Clearing Member status may nevertheless participate indirectly in the Clearing House Turquoise Derivatives Service as a Turquoise Derivatives Non-Clearing Member (“NCM”), subject to compliance with all the Clearing House requirements~~

#### ~~TURQUOISE DERIVATIVES NON-CLEARING MEMBER STATUS~~

~~In order to participate in the manner described, that person (“the Applicant NCM”) must enter into a Turquoise Derivatives NCM-GCM Agreement with a Clearing Member which is authorised by the Clearing House to clear eligible trades as a “GCM”. If the Clearing House agrees to admit the Applicant NCM, it will indicate its consent by signing the agreement and adding the Applicant NCM to the Register of NCMs.~~

~~An NCM is entitled to remain on the Register of NCMs for so long as a valid Turquoise Derivatives NCM-GCM Agreement remains in effect. In the event that the Agreement for any NCM is terminated, then that NCM will be removed from the Register of NCMs.~~

~~The rights and obligations of an NCM are set out in the Turquoise Derivatives NCM-GCM Agreement.~~

~~It should be noted that NCMs do not have Clearing Member status.~~



## ~~NLX Non-Clearing Member Status~~

~~All Clearing Members may clear for one or more NCMs. In order to do so, the following conditions must be satisfied at all times:~~

~~(i) the NCM is a participant of NLX and;~~

~~(ii) the Clearing Member and the NCM are party to a valid and enforceable agreement under which the Clearing Member agrees to clear transactions on behalf of such person.~~

~~Such agreement must confer the right on the Clearing Member, and the Clearing Member must lawfully be entitled at all times to pass to the Clearing House, in accordance with Regulation 30, such information and data relating to the NCM as the Clearing House may in its sole discretion deem appropriate.~~

~~The static data form executed by both the NCM and the Clearing Member shall be definitive proof of the Clearing Member clearing for an NCM.~~

~~The Clearing House contracts with the Clearing Member alone and, to the fullest extent permitted by law, disclaims any duties or obligations to an NCM.~~

~~The Clearing Member may terminate its agreement with the NCM at any time but must provide written notice to both the relevant exchange and the Clearing House no less than 21 days in advance of the termination date.~~

~~For the avoidance of doubt, termination by the Clearing Member of its agreement with an NCM will be without prejudice to the Clearing Member's obligations arising from or in relation to any NLX Transaction or NLX Contacts arising prior to such termination.~~

## ~~EXTENSION OF CLEARING ACTIVITIES~~

### 1.5 Extension Of Clearing Activities

#### ~~4.6.4~~1.5.1 *Extension to Exchange eClearing*

A Clearing Member must hold the appropriate category of Clearing Member status for the exchange(s) it wishes to clear.

A Clearing Member is approved to clear only the exchange(s) stipulated in its application. Subject to the Clearing House's<sup>2</sup> consent, this approval may be extended to include clearing on another exchange(s). Such approval must be given in writing by the Clearing House in the form prescribed from time to time. In determining such extension the Clearing House will have regard to, inter alia:

(a) The Clearing Member having the appropriate category of exchange Clearing Member status applicable to the extension of its activities;



(b) The Clearing Member demonstrably having sufficient staff resources and expertise in the new market that it wishes to clear; and

(c) The Clearing Member having sufficient Net Capital to meet the additional requirement as set out in ~~s~~Section 1.8.37.2.

~~4.6.2~~1.5.2 Extension to LCH EnClear OTC Services/EquityClear/RepoClear/SwapClear/ ForexClear Clearing

In addition to the requirements noted above, a Clearing Member wishing to commence clearing on each of the LCH EnClear OTC services (Freight , OTC Emissions and/or ~~Precious Metals~~gold divisions), the EquityClear markets and/or clearing or dealing on ForexClear, RepoClear and/or SwapClear, must complete additional documentation and be approved by the Clearing House. Clearing Members who wish to either clear directly or to submit for clearing EquityClear ATP Matches, RepoClear Transactions and/or Bond/Repo Trades, ForexClear Transactions and/or SwapClear Transactions originating from ~~an NCM~~ or a Dealer for clearing, should contact the Clearing House's Membership team.

Dealers ~~or NCMs~~ who wish to clear their own transactions must apply for Clearing Member status. Potential applicants should contact the Clearing House's Membership team.

~~4.6.3~~1.5.3 Extension for ~~SwapClear~~ Clearing Members to clear for clients

Subject to obtaining approval from the Clearing House's Membership team, a ~~SwapClear~~ Clearing Member ("~~SCM~~") may offer certain ~~SwapClear clearing services~~ Client Clearing Services to its clients (~~SwapClear~~ Clearing Clients). ~~SCMs~~

A key (but not isolated) factor which will be considered by the Clearing House in determining whether or not to grant such approval to an individual Clearing Member will be whether the offering of Client Clearing Services by such Clearing Member would contravene the Clearing House's conflicts of law policies by giving rise to conflicts of law issues which cannot be mitigated by the rules and procedures the Clearing House has developed to mitigate such risks. In particular, the Clearing House will need to be satisfied (in its sole discretion and based, where appropriate, on external legal advice) that the Clearing House's arrangements for (i) the segregation of positions entered into by the Clearing Member on behalf of its Clearing Clients and of the Collateral held by the Clearing House in respect of such positions; and (ii) the porting of such positions and Collateral, would be effective under the laws (including, in particular, the insolvency laws) applicable to the relevant Clearing Member.

Clearing Members should contact the Clearing House's Membership team for further details of the ~~SwapClear Client~~ arrangements for client clearing in place within the Clearing ~~service~~ House.

#### ~~4.6.4~~1.5.4 *Special Clearing Members*

A Special Clearing Member is only approved to clear the types of contract on the Clearing House service(s) and/or on the market(s) stipulated in its Clearing Membership Agreement, subject to the terms of that Agreement.

### ~~TERMINATION OF CLEARING MEMBER STATUS~~

#### 1.6 Termination Of Clearing Member Status

~~4.7.4~~1.6.1 In the event that a Clearing Member wishes to ~~terminate its~~retire from Clearing Member status, it may do so by giving written notice ~~of to the Clearing House~~ not less than three months ahead of ~~its~~the proposed termination date. ~~By the close of business on the proposed~~ termination date, the ~~Retiring~~ Member shall ensure that all ~~Registered~~ Contracts registered in ~~its~~the Retiring Member's name have been closed-out or transferred so as to ensure that there are no open ~~Registered~~ Contracts to which ~~they are~~the Retiring Member is a party ~~to~~ at the proposed termination date. ~~A resigning Clearing Member should note that any and all exchange NCMs~~Once all such Contracts have been closed-out or Dealers will transferred, such Retiring Member shall be ~~required~~entitled to ~~find alternative clearing arrangements~~request that the Clearing House releases and returns to it any Collateral held by ~~this date or will be unable to trade on the relevant exchange or cleared market. Clearing~~the Clearing House for such Retiring Member. Retiring Members will need to give the Clearing House notice of termination in respect of all such ~~NCM/Dealer~~ agreements in accordance with the terms of those agreements and the relevant ~~s~~Section of the Rulebook. For further information on the ~~resignation~~retirement process, Clearing Members should contact the Clearing House's Membership team.

~~4.7.2~~1.6.2 If a Clearing Member has not been active on any exchange or market for a continuous period of three months, they will be asked to confirm that they intend to utilise their Clearing Member status and failing a satisfactory response, they will be asked to ~~resign their~~retire from Clearing Member status.

### ~~NET CAPITAL REQUIREMENTS~~

#### 1.7 Net Capital Requirements

##### ~~4.8.4~~1.7.1 *Categories of Clearing Member Status*

There are ten categories of Clearing Member status currently in use. These are as follows:

Category B <del>NYSE—Liffe</del>	-	<del>Individual Clearing Member (clearing own business)</del>
Turquoise Derivatives	-	Individual Clearing Member (clearing own business)
LCH EnClear OTC Services	-	LCH EnClear Clearing Member being an OTC Participant for OTC Services: OTC Emissions, Freight —and/or Precious Metals divisions (see Section 2E) <u>(clearing own business)</u>

[HKMEx = Clearing Member (clearing own business)]<sup>2</sup>

<del>Nodal</del> <u>NODAL</u> Exchange	-	Individual Clearing Member (clearing own business)
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NLX Exchange	-	Clearing Member ( <del>C</del> clearing own business)
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Category C		
<del>NYSE—Liffe</del> <u>Turquoise Derivatives</u>	-	General Clearing Member (clearing own business and/or the business of <del>Non-NCPs and/or Turquoise Client Clearing Members</del> <u>Business</u> )
<del>Turquoise Derivatives</del> <u>[HKMEx</u>	-	<del>General</del> Clearing Member (clearing own business and/or the business of <del>Non-NCPs and/or HKMEx Client Clearing Members</del> ) <u>Business)]<sup>3</sup></u>
<del>Nodal</del> <u>NODAL</u> Exchange	-	General Clearing Member (clearing own business and/or the business of <del>Non-NCPs and/or NODAL Client Clearing Members</del> <u>Business</u> )
NLX Exchange	-	( <del>C</del> clearing own business and/or the business of <del>Non-NCPs and/or NLX Client Clearing Members</del> <u>Business</u> )

<sup>2</sup> To be deleted upon termination of the HKMEx Service (if HKMEx is terminated).

<sup>3</sup> To be deleted upon termination of the HKMEx Service (if HKMEx is terminated).

<b>Category D</b>		
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- LME
- Associate Trade Clearing Member
  - Associate Broker Clearing Member
  - Ring Dealing Member

<b>Category E</b>		
-------------------	--	--

Category no longer in use.

**Category F**

~~RepoClear Clearing Member: clearing own business.~~

**Category G**

~~RepoClear Clearing Member: clearing own business, and the business of unrelated RepoClear Dealers.~~

**Category H**

~~SwapClear Clearing Member.~~

**Category I**

~~EquityClear Individual Clearing Member: clearing own business on EquityClear.~~

**Category J**

~~EquityClear General Clearing Member: clearing own business, and the business of EquityClear Non-Clearing Members (NCMs) on EquityClear.~~

**Category K**

~~Special Clearing Member.~~

**Category L**

~~SwapClear FCM Clearing Member (refer to FCM Rulebook)~~

**Category M**

~~ForexClear Clearing Member~~

**Category N**

~~Not in use~~

**Category O**

~~LCH EnClear: OTC Services FCM Clearing Member (refer to FCM Rulebook)~~

**NOTES:**

~~'Own business'~~ **Category F**

RepoClear Clearing Member in respect of RepoClear Clearing House Business.

**Category G**

RepoClear Clearing Member in respect of RepoClear Clearing House Business and RepoClear Client Clearing Business.

**Category H**

SwapClear Clearing Member.

**Category I**

EquityClear Individual Clearing Member in respect of EquityClear Clearing House Business.

**Category J**

EquityClear General Clearing Member in respect of EquityClear Clearing House Business.

**Category K**

Special Clearing Member.

**Category L**

SwapClear FCM Clearing Member (refer to FCM Rulebook)

**Category M**

ForexClear Clearing Member

**Category N**

Not in use

**Category O**

LCH EnClear: OTC Services FCM Clearing Member (refer to FCM Rulebook)

~~'Own business'~~ is defined as trades transacted solely for the benefit of that Clearing Member ~~or another wholly-owned company or other wholly-owned companies with the same ultimate parent company. These other companies must not in turn be trading on behalf of clients in relation to these trades.~~

~~4.8.3~~ 1.7.2 *Net Capital Requirements*

The requirements set out below are the minimum requirements applicable to Clearing Members whose clearing relationship with the Clearing House is confined to the clearing of one market, subject, in relation to categories B to D, to an absolute minimum Net Capital requirement of £5mn sterling. The requirements may be satisfied in the currencies indicated or in foreign currency equivalents.

The requirements for Clearing Members who clear more than one market are detailed in [sSection 1.8.47.3](#). The definition of Net Capital is given in [sSection 1.98](#) (subject to a minimum of £5mn sterling).

### **Category A**

Category no longer in use.

### **Category B**

Net Capital £1.0mn [per Service](#)

### **Category C**

Net Capital £2.0mn [per Service](#)

### **Category D**

(†) [\(i\)](#) LME Associate Trade Clearing Members

Net Capital £2.5mn

(†) [\(ii\)](#) LME Associate Broker Clearing and Ring Dealing Members

Net Capital £5.0mn

### **Category E**

Category no longer in use.

### **Category F**

Net Capital €100.0mn

### **Category G**

Net Capital €400.0mn

### **Category H**

Net Capital US \$50mn

### **Category I**

Net Capital £5.0mn

### **Category J**

Net Capital £10.0mn

### **Category K**

~~See section 1.9.5~~ [See Section 1.7.4](#)

### **Category L**

Net Capital Refer to FCM Rulebook

### **Category M**

Net Capital US\$50mn

### **Category N**

Not in use

### **Category O**

Refer to FCM Rulebook

Net Capital

#### ~~4.8.4~~ [1.7.3](#) *Cross-Market Net Capital Requirement for categories B-D and I-J;*

Subject to the absolute minimum requirement of £5mn sterling, Clearing Members who clear more than one exchange (categories B – D) or have LCH EnClear OTC Services Clearing Member status and/or EquityClear Clearing Member Status (categories I – J), are required to meet a minimum Net Capital Requirement which is the sum of their specific requirements. For example, a Clearing Member acting as a General Clearing Member on ~~NYSE-Liffe~~ [the LCH EnClear OTC Service](#) (Category C - £2mn sterling) and as an EquityClear Individual Clearing Member (category I - £5mn sterling) has a minimum requirement of £7mn sterling. A Clearing Member acting as a General Clearing Member on ~~NYSE-Liffe~~ [LCH EnClear OTC Service](#) only (Category C - £2mn sterling) has a minimum requirement of £5mn sterling.

Clearing Members for ForexClear, RepoClear and/or SwapClear (including those who clear on other exchanges or markets through the Clearing House) are required to meet the applicable Category F, G, H or M minimum Net Capital Requirement only.

#### ~~4.8.5~~ [1.7.4](#) *Capital Requirements for Category K*

The minimum capital requirements for a Special Clearing Member will be established at the discretion of the Clearing House with reference to (i) the requirements set out in ~~s~~ [Section 1.8.37.2](#) which would be applicable to a Clearing Member carrying on comparable business in the same service(s) and/or market(s) of the Clearing House as that which is to be carried on by the Special Clearing Member pursuant to its Clearing Membership Agreement and



(ii) any other factors which the Clearing House deems to be relevant in establishing such requirements for a Special Clearing Member.

#### ~~1.8.6~~ 1.7.5 *Additional Net Capital Requirements*

Additional resources will be required when, in the Clearing House's assessment, a Clearing Member's Net Capital is not commensurate with its level of business.

The Clearing House shall, on a daily basis, compare the market risk associated with each Clearing Member's level of business with their level of Net Capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such Clearing Member is sufficiently capitalised to support the level of risk associated with the Contracts to which they are counterparty. In determining whether a Clearing Member is sufficiently capitalised, the Clearing House may also consider:

- (a) the Clearing Member's aggregate exposure to other clearing providers and other entities; and
- (b) the total amount of Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the Clearing Member.

In the event that the Clearing House considers that the Clearing Member is not sufficiently capitalised to support the level of risk associated with its open Contracts, action may be taken, which could include, but is not limited to, a request for additional Collateral to be transferred to the Clearing House.

### ~~CALCULATION OF NET CAPITAL~~

#### 1.8 Calculation Of Net Capital

Net Capital ("**Net Capital**") is broadly defined as:

Permanent Capital plus ~~Additional Capital~~ additional capital less ~~Intangible Fixed Assets~~ intangible fixed assets (including goodwill, development costs, etc ("**Intangible Fixed Assets**")).

Clearing Members must comply with the Net Capital minimum requirements at all times (see ~~s~~ Section 1.8.37.2).

The Clearing House may vary the definitions below to include forms of capital or to exclude assets, other than those stated. An applicant wishing to determine the acceptability of specific forms of capital or the treatment of particular categories of assets should contact the Clearing House's Membership team.

#### ~~1.9.4~~ 1.8.1 *Definition of Permanent Capital ("**Permanent Capital**")*

The definition of Permanent Capital includes:

- (a) issued and fully-paid ordinary share capital;

- (b) issued and fully-paid preference share capital; and
- (c) share premium account and reserves not available for distribution.

Accumulated profit and loss and reserves available for distribution will not be taken into account when calculating permanent capital. A deficit in reserves will, however, be deducted from permanent capital.

#### 1.9.2 1.8.2 *Definition of Additional Capital ("Additional Capital")*

The definition of Additional Capital includes:

- (a) other equity reserves (distributable or otherwise);
- (b) profit and loss reserve;
- (c) redeemable shares; and
- (d) subordinated loans.

Where loans, subordinated or otherwise, are allowed in a Clearing Member's<sup>2</sup> Net Capital calculation, the Clearing House may require Clearing Members to provide the Clearing House with details of the terms and conditions of the loan(s) (see sSection 1.98.3). The Clearing House may, at its discretion, recognise other long-term loans in the calculation of ~~additional capital~~ Additional Capital.

#### 1.9.3 1.8.3 *Acceptability of Subordinated Loans*

The Clearing House will, in the Net Capital Requirement, allow subordinated loans from a parent company/ies as an acceptable form of capital. Where a Clearing Member is reliant upon subordinated loans to meet its minimum requirement, the Clearing House will require assurances that the loan(s) will not be repaid without the prior consent of the Clearing House.

Clearing Members who wish to re-structure their Net Capital in a way that subordinated loans become key to their meeting the minimum Net Capital Requirement, should contact the Clearing House's<sup>2</sup> Membership team. Clearing Members will be required to enter into an agreement with the Clearing House in the standard form prescribed by the Clearing House for these purposes.

#### 1.9.4 1.8.4 *Recognition of Irrevocable Letters of Credit*

In cases where the Net Capital Requirement is significantly greater than a Clearing Member's<sup>2</sup> regulatory capital requirement, the Clearing House may, at its discretion, but in any case up to a maximum of 50% of the minimum capital requirement, recognise funds committed to the Clearing House under an Irrevocable Letter of Credit from a third party bank in determining whether the minimum requirement is met.

Clearing Members falling into this category and interested in meeting the requirements in this way will be required to enter into a standard form agreement with the Clearing House. That agreement is available from the Clearing House's Membership team.

## REPORTING

### 1.9 Reporting

Clearing Members must provide the information detailed below.

#### ~~4.40.4~~1.9.1 *All Members*

(a) All Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their profit and loss account and balance sheet, together with a statement that their auditors have reviewed and approved them, drawn up either in accordance with Companies Act requirements or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing House may at its discretion require the provision of financial accounts for the ultimate or immediate parent of the Clearing Member.

(b) All Clearing Members must provide the Clearing House in a prompt and timely manner with:

(i) ~~(i)~~—any information concerning any financial or business development that the Clearing Member reasonably considers may materially affect the Clearing Member's ability to comply with the applicable membership criteria or applicable laws or regulations;

(ii) ~~(ii)~~—information and documents regarding the Clearing Member's risk management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that Clearing Member's financial resources and settlement procedures;

(iii) ~~(iii)~~—any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis; and

(iv) ~~(iv)~~—notice if the Clearing Member becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or any other event to which it is required to notify the Clearing House under the Clearing Membership Agreement or the Rulebook.

In addition, and upon request from the Clearing House or any Regulatory Body, each Clearing Member shall promptly provide the

information detailed in (ii) above directly to the any ~~of the Clearing House's regulators (including the CFTC and the Financial Services Authority)~~. Regulatory Body specified in the relevant request.

~~4.40.2~~1.9.2 Regulated Clearing Members

Regulated Clearing Members must provide the Clearing House with copies of all returns made to their regulator. The Clearing House will, in respect of firms regulated by the ~~Financial Services Authority ("FSA")~~, FCA, take returns direct from the ~~FSA~~FCA. This arrangement is for administrative convenience and the Clearing House reserves the right to require that financial returns are submitted direct by the Clearing Member to the Clearing House. Clearing Members must provide the Clearing House with copies of all reports that are required to be filed with the CFTC pursuant to parts 17 and 20 of the CFTC Regulations.

~~4.40.3~~1.9.3 Non-Regulated Clearing Members

Non-regulated Clearing Members must provide the Clearing House with a quarterly balance sheet and profit and loss statement within 30 days of their quarter-end date. ~~This must be signed by two directors, a director and the company secretary, or two Authorised Signatories.~~ Where the Clearing Member is a partnership the balance sheet and profit and loss statement must be signed by two partners of the firm. Please provide evidence of signing authority together with specimen signatures.

~~4.40.4~~1.9.4 Category K

~~Must~~Special Clearing Members must provide the Clearing House with such financial information as is stipulated in their Clearing Membership Agreement.

~~4.40.5~~1.9.5 Reduction in Net Capital

All Clearing Members must immediately notify the Clearing House of any significant reduction (usually 10% or more), from the figures shown in their last financial returns, in:

(a) shareholders' funds; and

(b) Net Capital.

~~ADDITIONAL REQUIREMENTS~~

1.10 Additional Requirements

**Notification of Changes of Ownership**

Clearing Members (other than Special Clearing Members, who shall be subject to such specific terms as set out in their Clearing Membership Agreement) are required, under the terms of their Clearing Membership Agreement, to notify or pre-notify the Clearing House of changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). The Clearing House recognises that,

in the case of Clearing Members which are part of large financial groups, changes in controllers may occur with relative frequency, which may only be known after the event and are unlikely to be significant to the Clearing House. However, in cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in a Clearing Member are not known to the Clearing House, Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Committee and Board of the Clearing House.

## **OTHER CONDITIONS**

### **1.11 Other Conditions**

The Clearing House may, at any time, impose additional conditions ~~relative~~in relation to continued Clearing Member status, and at any time vary or withdraw any such conditions. ~~These, provided that any such~~ conditions which restrict, or may be considered to have the effect of restricting, access of a Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. Clearing Members are referred to the Clearing House's website at [insert website link] for further information about the relevant internal risk management policies and procedures of the Clearing House.

The relevant additional conditions imposed on a Clearing Member may include, but are not limited to, a requirement to transfer additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

**SECTION 2A**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2A**

**LME CLEARING SERVICE**

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CONTENTS

<u>Section</u>	<u>Page</u>
<del>2A. LME CLEARING .....</del>	<del>2</del>
<del>2A.1 THE CLEARING PROCESS .....</del>	<del>2</del>
<del>2A.2 REGISTRATION .....</del>	<del>3</del>
<del>2A.3 POSITION ACCOUNTS .....</del>	<del>4</del>
<del>2A.4 FINANCIAL ACCOUNTS .....</del>	<del>5</del>
<del>2A.5 INITIAL MARGIN .....</del>	<del>6</del>
<del>2A.6 VARIATION MARGIN .....</del>	<del>7</del>
<del>2A.7 ADDITIONAL MARGIN .....</del>	<del>7</del>
<del>2A.8 SETTLEMENT .....</del>	<del>8</del>
<del>2A.9 OFFICIAL QUOTATIONS .....</del>	<del>8</del>
<del>2A.10 OPTION EXERCISE AND EXPIRY .....</del>	<del>9</del>
<del>2A.11 DELIVERY .....</del>	<del>12</del>
<del>2A.12 INVOICING BACK .....</del>	<del>12</del>
<del>2A.13 LME DELIVERIES .....</del>	<del>12</del>
<del>2A.14 METALS AND PLASTICS DELIVERY TIMETABLE .....</del>	<del>18</del>
<del>2A.15 DELIVERY PROCEDURES .....</del>	<del>20</del>
<del>2A.16 DELIVERY DOCUMENTATION SUMMARY .....</del>	<del>22</del>
<del>APPENDIX 2A-24</del>	
<del>warrant collection adjustment invoice—24</del>	
<del>APPENDIX 2B-25</del>	
<del>warrant ALLOCAtion adjustment invoice—25</del>	
<u>1. LME Clearing Service .....</u>	<u>1</u>
<u>1.1 The Clearing Process .....</u>	<u>1</u>
<u>1.2 Registration .....</u>	<u>2</u>
<u>1.3 Proprietary Accounts and Client Accounts .....</u>	<u>4</u>
<u>1.4 Position Accounts .....</u>	<u>5</u>
<u>1.5 Collateral Accounts .....</u>	<u>6</u>
<u>1.6 Initial Margin .....</u>	<u>6</u>
<u>1.7 Variation Margin .....</u>	<u>8</u>
<u>1.8 Additional Margin Requirements .....</u>	<u>9</u>
<u>1.9 Settlement .....</u>	<u>9</u>
<u>1.10 Official Quotations .....</u>	<u>10</u>
<u>1.11 Option Exercise and Expiry .....</u>	<u>10</u>
<u>1.12 Delivery .....</u>	<u>13</u>

<a href="#">1.13 Invoicing Back .....</a>	<a href="#">13</a>
<a href="#">1.14 LME Deliveries .....</a>	<a href="#">14</a>
<a href="#">1.15 Metals Delivery Timetable .....</a>	<a href="#">20</a>
<a href="#">1.16 Delivery Procedures .....</a>	<a href="#">23</a>
<a href="#">1.17 Delivery Documentation Summary .....</a>	<a href="#">25</a>
<a href="#">1.18 LME Client Clearing .....</a>	<a href="#">27</a>
<a href="#">1.19 Indirect Clearing .....</a>	<a href="#">28</a>
<a href="#">Schedule 2A.A Warrant Collection Adjustment Invoice .....</a>	<a href="#">30</a>
<a href="#">Schedule 2A.B Warrant Allocation Adjustment Invoice .....</a>	<a href="#">31</a>

## ~~2A.1. LME CLEARING~~ CLEARING SERVICE

### ~~THE CLEARING PROCESS~~

#### 1.1 The Clearing Process

The LME's matching system, LMEsmart, is responsible for all matching functions (~~("Matching System")~~). LMEsmart will forward to LCH.Cleynet matched trades for clearing via the Clearing System.

##### ~~2A.1.1~~ 1.1.1 Matching System Functions

The following functions are performed within the Matching System:

- ~~-•~~ trade matching; and
- ~~-•~~ trade confirmation and presentation of trades to the Clearing House for registration.

Allocation of market contracts as specified in Regulation ~~7~~14 (Allocation of Original Exchange Contracts) is not permitted for LME business.

##### ~~2A.1.2~~ 1.1.2 Clearing System Functions

The following functions are performed within the Clearing System:

- ~~-•~~ designation of trades to a position-keeping account;
- ~~-•~~ auto-validation consisting of syntactic/static data and trade limit checks trade acceptance, rejection and cancellation;
- ~~-•~~ settlement;
- ~~-•~~ position maintenance;
- ~~-•~~ margin calculation;



- option exercise allocation processing;
- reporting.

It is the responsibility of each Clearing Member to preserve any report required for historic, audit or legal purposes including, but not limited to, the Member Registration Report.

Deliveries are undertaken through the LME's LMEsword system. LCH.Clearnet uses LMEsword as a Clearing House user to ensure warrants are collected and allocated to Clearing Members to complete the daily delivery process.

All delivery enquiries or issues regarding a Clearing Member's ability to meet its contractual obligations should be directed to [LCH.Clearnet.Operations and Client Servicing Department +44 \(0\)207 426 7689 or email Derivative.Ops.Uk@lchclearnet.com](mailto:Derivative.Ops.Uk@lchclearnet.com).

Technical queries relating to LMEsword should be directed to LME.

Clearing Members should refer to the 'Synapse LME Member User Guide' for operating instructions, full details of enquiries and report facilities and the Synapse Licence Agreement and Terms of Use.

### **2A.1.3** 1.1.3 LCH System Requirements

A Member must have, in its office, at minimum, a PC configured to access the Clearing System GUI, printer and a dedicated back-up BT Radianz line connected to the Clearing System.

### **2A.1.4** 1.1.4 Times

All times are London times.

## **REGISTRATION**

### 1.1.5 Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of an LME Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.

## 1.2 **Registration**

### **2A.2.1** 1.2.1 Confirmation

Matched trading data is presented for registration to the Clearing House, as prescribed in the LME Rules, in the name of the Clearing Member submitting them to the LMEsmart Matching System (evidenced by the use of the system

security password). Such presentation constitutes confirmation in accordance with the Regulations by the Clearing Member in whose name the contracts are presented. Trades that exceed pre-set trade limits are held within the Clearing System, pending confirmation of acceptance by the Clearing House.

#### **2A.2.1.1(a)** Risk Pending Trades

The traded price or premium and lot size of all trades presented to the Clearing House for registration are validated against a price or premium range and lots limit file.

For each prompt date and option series the price or premium range above and below the previous day's closing price or premium is calculated each day by reference to a pre-determined price limit for each metal and currency combination.

The price limit is normally set to be identical to the prevailing scanning range for each contract; however, during periods of high price volatility this may temporarily be increased to avoid the suspension of trades which are within the day's trading range. Lot and price limits may be changed, by member circular, from time-to-time.

Trades input, where either the price or premium range or the lot size limit is exceeded, will be matched in the usual manner, but will be written to a separate 'matched trade file' for subsequent acceptance or rejection by the Clearing House.

The Clearing House may alter the price and lots limits to cater for volatile price conditions following consultation with the LME. This will allow trades transacted at 'current' market prices to be input, matched and presented to the Clearing House for registration without requiring acceptance.

#### **2A.2.1.2(b)** Conditions for Acceptance of Risk Pending Trades

Registration of trades held in the Risk Pending Queue is conditional on the provision of sufficient Collateral. -The Clearing House will first consider any surplus Collateral held, any surplus credit variation margin, and any net credit variation margin ~~for the account obligation in which the trade is to be registered~~ in respect of new business, before requesting additional Collateral from a Clearing Member. Margin in this case is net debit variation margin in respect of the pending trades, calculated automatically by the system with reference to the previous day's closing price or premium.

If the Clearing House decides that additional Collateral is required it will advise the Clearing Member as soon as possible. The Member so advised should contact the counterparty to the pending trade in order to notify them that there may be some delay prior to acceptance of the trade. At the same time, the currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing

House and the Clearing Member. Only when the Clearing House has received ~~collateral~~ sufficient non-cash Collateral or confirmation from the transferring bank that ~~the funds have~~ cash Collateral has been or ~~are~~ is in the process of being transferred will it accept the pending trades.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Clearing Member to ensure that any trades likely to require acceptance are input and matched as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House (to meet the debit variation margin obligation arising from pending trades) or arrangements are in place to meet additional calls for Collateral. Matched trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted (in accordance with LME Rules) the next business day, when the same process will apply.

#### 2A-2.2.1.2.2 Registration

LME ~~€~~ Transactions which are not held in the pending queue will be registered upon acceptance in the Clearing System. Trades held in the pending queue will be registered upon acceptance by the Clearing House.

If the Clearing House does not register a trade presented for registration it will notify the contracting parties within a reasonable time, indicating the reasons for rejection.

#### ~~Client Trades~~

~~Where a trade has been executed with a client, the Clearing House will register two separate contracts between itself and the Clearing Member:~~

- ~~• a contract in the Member's House Account representing one side of the client trade; and~~
- ~~• a contract in the Member's Client Account representing the other side of the client trade.~~

~~The trade between the client and the Clearing Member will remain in force, unaffected by such registration.~~

#### 2A-2.4.1.2.3 Novation

Novation replaces each exchange contract executed between LME Service Clearing Members with two separate contracts, one between the LME Service Clearing Member-seller and the Clearing House and the other between the LME Service Clearing Member-buyer and the Clearing House. Novation is described in General Regulation ~~3-~~ 12 (Novation).

**2A.2.5**1.2.4 Notification

All registered contracts are listed on the Clearing Member Registration Statement available on the Clearing System.

**POSITION ACCOUNTS****1.3 Proprietary Accounts and Client Accounts****1.3.1 Proprietary Accounts**

A LME Service Clearing Member 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 or more sub-accounts

(a) one or more position accounts; and

(b) a collateral account.

**1.3.2 Client Accounts**

(a) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.18 (LME Client Clearing) below, a LME Service Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(i) Individual Segregated Accounts;

(ii) Non-Identified Client Omnibus Net Segregated Account;

(iii) Identified Client Omnibus Net Segregated Accounts; and/or

(iv) Affiliated Client Omnibus Net Segregated Accounts.

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

(i) a position account; and

(ii) a collateral account.

**1.4 Position Accounts****2A.3.4**1.4.1 Clearing Member Accounts

For identification purposes each LME Service Clearing Member is assigned a unique three-character mnemonic. ~~—An LME Service~~ Clearing Member's position and financial information are further identified by a single character code: C for LME Client Clearing Business; H for LME Clearing House Business; The H account codes (see below). ~~—is obligatory, the C account will~~

be used in respect of any LME Service Clearing Member which engages in LME Client Clearing Business.

### 2A.3.2.1.4.2 Position-Keeping Accounts

#### 2A.3.2.1(a) Types of Account

An exchange member's positions are recorded within the Clearing System in position-keeping accounts ~~which are not Clearing Member accounts as described in Regulation 5 with the exception of the C-accounts.~~ The account types are H ~~for LME Clearing House for house (excluding clients) Business~~ and C ~~(+ up to 10 character alpha numeric identifier) for segregated client business~~ LME Client Clearing Business.

Other position-keeping accounts may be opened as specified by the LME Service Clearing Member ~~where permitted by~~ in accordance with Exchange rules-requirements where applicable.

#### 2A.3.2.2(b) Basis of Position Keeping

On the LME all option positions ~~(whether in Client "C" or House "a Clearing Member's "H" accounts)~~ account and all option positions in a single "C" account are held net, e.g. a position of bought 1 lot and sold 2 lots will be reported as sold 1. ~~There will be no offsetting of positions between any of the "C" accounts.~~

Netting takes place before option exercise or delivery allocation ~~in each position-keeping account.~~

Futures positions (whether in the House "H" account or in the Client "Account(s) comprising the "C" accounts) are held gross, e.g. a position of bought 1 lot and sold 2 lots will show both bought and sold positions.

## FINANCIAL ACCOUNTS

For the avoidance of doubt, netting is not permitted between the positions (whether relating to options or futures) held in different Client Accounts or the LME Service Clearing Member's Proprietary Account.

### 1.5 Collateral Accounts

#### 2A.4.1.1.5.1 Relationship with Position-keeping accounts

Clearing Member position accounts have collateral accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realised margin obligations. Information contained within ~~Position~~ a position-keeping accounts is consolidated with the associated collateral account into ~~the C~~ for LME Client

Clearing Business accounts and H for LME Clearing House ~~“H” and the client financial~~Business accounts.

~~The client financial accounts and their associated Position-keeping accounts are:~~

<del>“C”</del>	<del>for a C Client position keeping account; and</del>
<del>0 + 3 alpha/numeric</del>	<del>for any C (+10 character) Client position keeping account</del>

~~There shall be no offset of collateral between financial accounts, save as permitted by Default Rule 8(d) (where the Clearing House may apply any balance on the Proprietary Account(s) to meet any shortfall on the client account(s)).~~

By accepting a trade into a position-keeping account an LME Service Clearing Member is also deemed to be designating that trade for the associated financial collateral account. There is no facility to change the designation once market contracts have been registered.

Each client "C" position-keeping account and the client "C" collateral account of an LME Service Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the LME Service Clearing Member 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.

At the Clearing House's discretion, further ~~financial~~ accounts, ~~used only to record financial balances~~, may be opened as follows:

Code

Buffer account (House), used for holding ~~additional~~ \_\_B  
~~cash in relation to House business~~Excess

Buffer account (Client), used for holding ~~additional~~ \_\_E  
~~cash in relation to Client business~~Excess

#### 2A.4.21.5.2 Default Fund (DF) Account

Each LME Service Clearing Member's Default Fund Contribution is held on a separate ~~financial~~ account. The Default Fund account code is ~~“F”~~\_\_F\_\_.

## ~~INITIAL MARGIN~~

### 1.6 Initial Margin

Separate initial margin calculations are performed for ~~an LME Service~~ Clearing Member's ~~House "H" Proprietary Account~~ and for each Client ~~"C" account;~~ ~~no Account. No~~ offset between ~~these~~ 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.

Margin requirements in respect of LME accounts are ~~margin~~ed ~~calculated~~ net, meaning that if long and short positions are held in the same delivery month/prompt date for futures, or the same series for options, the initial margin requirement is charged on the net position.

The initial margin obligation is additionally calculated for next day prompt on short positions only to cover delivery risk.

#### ~~2A.5.1~~1.6.1 Initial Margin Parameters

Initial margin parameters are set by the Clearing House after consultation with the LME. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for ~~an LME Service~~ Clearing Member's House and/or Client ~~Accounts.~~

LME Service Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

#### ~~2A.5.2~~1.6.2 Intra-day Margin Calls

In accordance with the Regulations the Clearing House is entitled to make additional margin calls for transfer of Collateral the same day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see Section ~~3.2 of the Procedures~~), 1.3 of Procedure 3 (Financial Transactions)).

#### ~~2A.5.3~~1.6.3 Calculation of Initial Margin

##### ~~2A.5.3.1~~(a) London SPAN

The initial margin obligations are re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange\*.

For full details of how London SPAN calculates the margin requirement, reference should be made to the SPAN technical information package (available from the LCH.Clearnet Limited Risk Management Department +44 (0)20 7426 7520). Technical questions should be directed to LCH.Clearnet Limited Service Desk +44 (0)20 7426 7200.

- ~~\_\_\_\_\_~~\* The Chicago Mercantile Exchange ("~~CME~~") permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

#### ~~2A.5.3.2~~(b) SPAN Rounding

1. Full extent of the decimal places is used in the margin obligation calculation.
2. The margin obligation result is rounded to the nearest penny .5 being rounded up.

### ~~VARIATION MARGIN~~

#### 1.7 Variation Margin

All open contracts are marked to market daily by the Clearing House in accordance with LME Rules and Regulations. The official quotation is used as the market price. Profits or losses are either credited to or debited from ~~Members' financial accounts~~the relevant account (realised margin) or they form non-realised contingent liabilities or credits.

Separate variation margin calculations are performed for a LME Service Clearing Member's ~~House "H"~~Proprietary Account and for each Client "C" accountAccount. 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.

#### ~~2A.6.1.1~~1.7.1 Realised Margin

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in the Clearing System - i.e. the trade price for new trades and the previous day's official quotation for other positions. ~~Variation~~The variation margin obligations for the following types of contract ~~is~~are realised into postings to ~~Clearing Members' financial accounts~~the relevant account:

- ~~\_\_\_\_\_~~ LME Index futures;
- ~~\_\_\_\_\_~~ LME minis.

#### ~~2A.6.1.2~~1.7.2 Non-Realised Variation Margin

Non-realised variation margin is applicable to metals ~~and plastics~~ futures and option contracts with the exception of LMEX and LME minis.

#### ~~2A.6.1.2.1~~1.7.3 Discounted Contingent Variation Margin



Non-realised variation margin is calculated with reference to the original trade or delivery price and the relevant official quotation. -This is then discounted back to the present value to generate Discounted Contingent Variation Margin (~~("DCVM")~~). DCVM is applicable to all metals ~~and plastics~~ futures with the exception of LMEX and LME minis.

#### ~~2A.6.1.2.2~~1.7.4 Net Liquidating Value

As premium is paid up front, option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively. ~~Option~~The option variation margin obligation is referred to as Net Liquidating Value and is non-realised. It is applicable to all metal option contracts.

### ~~ADDITIONAL MARGIN~~

#### 1.8 Additional Margin Requirements

In accordance with Regulation ~~12,20~~ (Margin and Collateral), the Clearing House may call additional Collateral amounts (on top of Collateral amounts already provided in respect of initial margin and variation margin obligations) as security for the performance by a Member of its obligations to the Clearing House in respect of contracts registered in his name as open contracts. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in positions held by the Member is not adequately covered by the Collateral transferred in respect of the initial or variation margin obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral as security against the positions generating such losses, and may not apply it as a credit in respect of the initial margin obligation generally.

### ~~SETTLEMENT~~

#### 1.9 Settlement

##### ~~2A.8.1.1~~1.9.1 Cash Settlement

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day's official quotation or such other quotation as is specified in the ~~LME's Rules~~. This is debited from or credited to ~~Clearing Members' financial accounts~~ the relevant Proprietary Account or Client Account (as applicable).

This applies to the following contracts:

- LMEX;
- LMEmini Copper Grade A;
- LMEmini Primary Aluminium;
- LMEmini Special High Grade Zinc;

●      LME Swaps.

**2A.8.1.2** 1.9.2 Delivery

All metals ~~and plastics~~ contracts remaining open at expiry are settled by physical delivery of the underlying at the settlement price, as determined by the relevant LME Rules.

**2A.8.1.3** 1.9.3 Options

Option premiums are settled up-front.

The traded premium is debited from the ~~buyer's financial account, and credited to the seller's financial account~~ relevant Proprietary Account or Client Account (as applicable) of the buyer, and credited to the relevant Proprietary Account or Client Account (as applicable) of the seller, on the business day after the day of trade.

~~OFFICIAL QUOTATIONS~~

1.10 Official Quotations

Official quotations are based on 'closing settlement prices', 'closing quotations' or 'closing prices' and are supplied by the LME at the close of business each day. LCH.Clearnet provides    exchange rates and interest rates applicable to those contracts quoted in more than one currency to the LME.

Should the LME fail to determine official quotations, settlement prices or exchange rates, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

~~OPTION EXERCISE AND EXPIRY~~

1.11 Option Exercise and Expiry

There are three types of LME option contract; Traded Options, Traded Average Price Options (~~("TAPO")~~) and Index Options. Each contract is exercised through the Clearing System. Exercise Rules are specified by the LME Rules and Regulations which determine the times that exercise notification must be given, and for TAPO and Index Option contracts the Rules by which automatic exercise operates.

Traded options are exercised manually except on the last trading day when certain options are automatically exercised and an open futures contract is created. TAPO and Index Options contracts are exercised automatically by the Clearing System. For TAPO's two open futures contracts are created, these contracts are equal and opposite except that one is created at the monthly average settlement price and the other at the strike price of the option. Exercised Index Options contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Index Settlement Price (ISP).

LME Service Clearing Members should refer to the 'Synapse LME Member User Guide' for operating instructions and full details.

**2A.10.1.1.1.1** Traded Options Exercise Instructions**2A.10.1.1(a)** Manual Exercise

Exercise instructions are submitted via the Options Exercise screen on the Clearing System, between 08:00 hours and 11:15 hours on any business day up to, and including, the expiry day.

Exercise instructions can be cancelled via the Options Exercise screen by 11:15 hours on the day the exercise instruction is input to the Clearing System.

Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;
- the number of lots exceed the lot limit, if the lot limit parameter is set in the BP Exercise Limit screen; and
- early exercise i.e. non-spot month, if this parameter is set in the BP Exercise Limit screens.

An option exercise maker-checker facility ensures declarations are authorised by another person before being submitted. Allow sufficient time for submitting instructions within the 11:15 hour deadline, if this facility is switched on.

**2A.10.1.2(b)** Automatic Exercise on Expiry Day

The LME Rules and Regulations define which traded option series will be subject to automatic exercise at expiry.

Takers of options may, in accordance with the LME's Rules, reverse the automatic exercise of series subject to automatic exercise. [LME Service](#) Clearing Members that wish to enter reversals must have done so by the 11:15 hours expiry deadline. Failure to do so will result in the automatic exercise of the series.

**2A.10.1.3(c)** Expiry Day

Options expire at 11:15 hours on the expiry date. [LME Service](#) Clearing Members must have entered exercise instructions for strike prices which are not subject to automatic exercise for expiring series by this time.

It is not possible for [LME Service](#) Clearing Members to input exercise or exercise cancellation instructions after the expiry time.

**2A-10.2.1.11.2** TAPO and Index Option Automatic Exercise Instructions

All contracts which are either one cent or one index point or greater in-the-money when compared to the Monthly Average Settlement Price (MASP) for TAPO's and the Index Settlement Price (ISP) for Index Options will be automatically exercised on the expiry date. There is no manual override facility for auto-exercised series.

The MASP and ISP used by the Clearing System are established on the expiry date and are displayed on the Price and Exchange / Interest Rate Display screen within the Matching System.

**2A-10.2.1(a)** Expiry Day

TAPOs expire at 15:00 hours on the expiry date.

Index Options expire at 21:15 hours on the expiry date.

All in-the-money options will be automatically exercised by the Clearing System.

**2A-10.3.1.11.3** Positions Eligible for Exercise**2A-10.3.1(a)** Traded Options and TAPO

Positions open at the close of business on the preceding business day can be exercised.

**2A-10.3.2(b)** Index Options

Positions open at the close of business on the expiry day can be exercised.

**2A-10.4.1.11.4** Last Trading Day**2A-10.4.1(a)** Traded Options and TAPO

The last trading day for a delivery month is the business day preceding the expiry date.

**2A-10.4.2(b)** Index Options

The last trading day for a delivery month is the expiry date.

**2A-10.5.1.11.5** Exercise by the Clearing House

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position at close of business on the previous business day. The method of allocation used for traded options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the preceding lot or of the subsequent lot in the selection process.

**2A.10.6**1.11.6 Notification of Allocation**(a)** Traded Options:

The Clearing House will use reasonable endeavours to notify the relevant seller of its allocation by not later than 11:30 hours on the day on which the option is exercised against the Clearing House.

Notification of options that have been exercised is made via the Options Positions and Position Transactions For Options enquiry screens within the Clearing System.

**(b)** TAPO:

Notification to the relevant seller will be made as soon as practicable after 15:00 hours on the expiry date, this will be made via the Options Positions and Position Transactions For Options enquiry screens within the Clearing System.

**(c)** Index Options

Notification to the relevant seller will be made as soon as practicable after 21:15 hours on the expiry date via XI+ and various expiry reports.

Exercised and abandoned positions for LME option contracts are detailed on the option exercise and assignment activity listing report. Clearing Member Registration Statement, along with resultant futures contracts where applicable, and additionally on the Prompt Date Settlement Statement for Index Options.

**2A.10.7**1.11.7 Unavailability of Options Exercise System

In the event that the Clearing System option exercise facilities are unavailable (in particular if an expiry or exercise deadline is imminent) it is essential that either:

**(a)** the LCH.Clearnet Business Operations is informed; or

**(b)** the LME Compliance Department is informed.

**DELIVERY****1.12** Delivery**2A.11.1**1.12.1 Overview

**A**An LME Service Clearing Member with an open sale contract has the right to make delivery during the times and in the manner stipulated in the LME Rules and Regulations.

**A**An LME Service Clearing Member who is the seller must deliver the relevant asset underlying the contract to the Clearing House and the LME

Service Clearing Member who is the buyer must pay the Clearing House against receipt of the asset. The specific procedures for each contract differ and they are detailed in ~~2A.13~~1.14 of these Procedures.

When making delivery, LME Service Clearing Members must be fully conversant with these Procedures and the LME Rules and Regulations (including, where appropriate, Clearing Member circulars and LME notices).

#### ~~2A.11.2~~1.12.2 Settlement Payments

Settlement payments for differences between the contract price and the Settlement Price will be made via PPS and debited/credited to the relevant account of the relevant LME Service Clearing Member on the business day following publication of the Settlement Price or in accordance with the LME Rules and Regulations.

### **INVOICING BACK**

#### 1.13 Invoicing Back

Where invoicing back of ~~a~~an LME Service Clearing Member's open contracts is to be performed according to the provisions of the Regulations or the LME Rules and Regulations, the Clearing House will produce the appropriate invoice(s) and credit note(s).

Accounts will be made up by the Clearing House in such a manner as it considers appropriate in such circumstances.

#### ~~2A.13~~1.14 **LME DELIVERIES**Deliveries

##### ~~2A.13.1~~1.14.1 INTRODUCTION

These Procedures should be read in conjunction with the Clearing House's General Regulations and the LME Rules and Regulations and the LMEsword Regulations and Operating Procedures.

These Procedures apply to LME deliveries effected through the LMEsword system as prescribed by The London Metal Exchange.

LME Service Clearing Members must be fully aware of their obligations under the relevant contracts.

In the event of any conflict between these Procedures and the LME Rules and Regulations, the LME Rules and Regulations shall take precedence.

**Enquiries concerning the procedures in this sSection should be directed to Business Operations staff at the Clearing House.**

**GENERAL INFORMATION****2A.13.2.1**1.14.2 Clearing Accounts

The ~~House “H House” account~~Proprietary Account and ~~any~~the Client ~~“C”~~Accounts are treated separately for deliveries. Sellers must create separate Authorised Cleared Transfer Instructions to the Clearing House for ~~the “H House” account~~each Proprietary Account and an aggregate single short position across all ~~“C”~~Client Accounts. Buyers will receive from the Clearing House separate Authorised Cleared Transfer Instructions for each the Proprietary Account and an aggregate long position across all Client Accounts. Buyers will receive from the Clearing House separate Authorised Cleared Transfer Instructions for ~~the “H House”~~Proprietary Account and ~~an~~aggregate long position across allaggregated Client ~~“C”~~ Accounts.

**2A.13.3**1.14.3 Delivery Settlement Price

The Delivery Settlement Price is established by the Exchange in accordance with the LME Rules and Regulations. The Delivery Settlement Price is published by the LME and is available in the Clearing System.

**2A.13.4**1.14.4 Delivery Position

A final delivery position is calculated individually for each product maintaining LME Service Clearing Members’ ~~“House”~~proprietary and aggregated ~~Client “C”~~client positions separately. The delivery position is calculated for each product in the following way: (other than Individual Segregated Accounts):

- (a) sold and bought lots are netted for each currency with an open position. The result will be an uncovered sold or bought position for each currency by position keeping account; then
- (b) the netted (uncovered) sold or bought position, for each currency for each position keeping account, are netted against each other to derive a single sold and bought position for the product. ~~This is the delivery position.~~ for the Proprietary Accounts; then
- (c) for Client ~~“C”~~accountsAccounts (other than Individual Segregated Accounts), the results are aggregated to form the delivery position.

The delivery position will be the number of warrants deliverable via LMEsword.

**2A.13.5**1.14.5 Days and Times

All days are London business days unless otherwise stated.

All times are London times unless otherwise stated.

**2A.13.6**1.14.6 Cash Settlement

For LME cash settled contracts the cash settlement procedures apply (see ~~section 2A.8.1.1~~[Section 1.9.1](#)).

#### ~~2A.13.7~~[1.14.7](#) LMEsword

For designated products warrant deliveries are effected using the LMEsword system. [LME Service](#) Clearing Members participating in LME deliveries are required to be fully conversant with the operating procedures and processes of the LMEsword system. [LME Service](#) Clearing Members must submit and retrieve delivery information via the LMEsword system.

When using LMEsword, [LME Service](#) Clearing Members must always ensure they allow sufficient time to connect to and transmit their delivery details within the deadlines prescribed in the LMEsword Operating Procedures. Failure to do so will constitute late delivery and may be subject to disciplinary action by LME.

[LME Service](#) Clearing Members experiencing technical difficulties should contact the LMEsword helpdesk at LME immediately.

#### ~~2A.13.8~~[1.14.8](#) LMEsword Clearing Accounts

In order to facilitate the delivery process via LMEsword, both the Clearing House and [LME Service](#) Clearing Members will have mandatory clearing accounts.

##### ~~2A.13.8.1~~[\(a\)](#) The Clearing House Clearing Account

Warrants transferred from the seller to the Clearing House and from the Clearing House to the buyer will be held in the Clearing House Clearing Account. The allocation of warrants will be performed whilst the warrants are held in this account.

##### ~~2A.13.8.2~~[\(b\)](#) Clearing Member Clearing Account

Warrants allocated to buyers in fulfilment of delivery entitlements will be transferred from the Clearing House Clearing Account to either a House Collection Account or a Customer Collection Account. Both these accounts are automatically created by LMEsword, —and cannot be deleted. Warrants will be transferred to the relevant account depending on whether the delivery position is held under the ~~house or customer account~~[House Collection Account or Customer Collection Account](#).

##### ~~2A.13.8.3~~[\(c\)](#) LMEsword - Notification of Delivery Commitments and Entitlements

[LME Service](#) Clearing Members with delivery positions will be notified of their delivery commitments and entitlements via LMEsword, for the relevant prompt date.

#### ~~2A.13.9~~[1.14.9](#) LMEsword - Delivery Mechanism



**2A.13.9.1(a)** Warrant Collection

LCH.Clearnet, acting as the Clearing House user in LMEsword, will automatically initiate a Warrant Collection process at the delivery deadline at 11:00 hours. All warrants nominated in an Authorised Cleared Transfer Instruction will be transferred to the Clearing House Clearing ~~a~~Account.

A seller will receive a separate notification, via LMEsword, for each product informing them that the warrant collection process has been effected.

**2A.13.9.2(b)** Warrant Allocation and Delivery

The Clearing House will initiate the Warrant Allocation and Delivery process. The warrants held in the Clearing House Clearing Account will be sorted and allocated in accordance with the LMEsword Warrant Allocation Method (refer to the LMEsword Operating Procedures). The warrants allocated to the buyer will be transferred from the Clearing House Clearing Account to the buyer's mandatory Clearing House Collection Account.

A buyer will receive a separate notification, via LMEsword, for each product informing them that the transfer of warrants has been effected.

**2A.13.10**1.14.10 Access to Reports**2A.13.10.1(a)** Clearing System

The following reports can be accessed via the Clearing System:

~~(a)~~(i) Invoice and Account Sales

This report displays the amount due to the seller and payable by the buyer against the ~~net~~ open contracts in the relevant product and currency. The amount is based upon the contract tonnage and does not take account of weight adjustments and rent allowances.

~~(b)~~(ii) Prompt Date Settlement Statement

This report displays the net open contracts in the relevant product and currency and the amount due to sellers and payable by buyers.

~~(c)~~(iii) Member Japanese Yen Settlement Advice Listing

This report details values in respect of settlement differences and delivery amounts for Japanese Yen contracts.

**2A.13.10.2(b)** LMEsword

The following reports can be accessed using LMEsword:

~~(a)~~(i) Warrant Collection Adjustment Invoice

This report lists the warrants collected by the Clearing House from the seller and displays to the seller the rent and weight adjustment due on those warrants. –A separate report is produced for each product delivered.

~~(b)~~(ii) Warrants Allocation Adjustment Invoice

This report lists the warrants allocated by the Clearing House to the buyer and displays to the buyer the rent and weight adjustment due on those warrants. –A separate report is produced for each product delivered.

~~2A.13.11~~1.14.11 Invoice and Account Sale

~~2A.13.11.1~~(a) Invoice and Account Sales Calculation

The Clearing House calculates the amounts due to the seller and payable by the buyer against the net open contracts in the relevant product and currency. The calculation is as follows:

Amount = contract weight x Delivery Settlement Price x lots

~~Where:~~ the Delivery Settlement Price is in the currency of the open contract (JPY, EUR, USD, and GBP) and is set in accordance with LME trading regulations.

The contract weight is determined by LME special contract rules for metals ~~and plastics~~.

~~2A.13.11.2~~(b) Invoice and Account Sales Calculation – Example

Using the above formula where:

Contract weight	=	25
Delivery Settlement Price	=	USD1300
Lots	=	5
Total Invoice/Account Sale	=	25 x 1300 x 5
Value	=	USD162,500

The total invoicing amount is shown on the Invoice and Account Sales enquiry and report~~:~~ and on the Prompt Date Settlement Statement which is accessed via the printing and browsing facility.

~~2A.13.12~~1.14.12 Payment of Invoice and Account Sales

Payments for delivery entitlements are posted to the debit of the buyer's collateral/tender account, dependent upon currency.

Following receipt of warrants from sellers the Clearing House makes payment to the seller of the Account Sale amount by PPS (or by any other method as specified by the Clearing House).

#### **2A-13-12.1(a)** Japanese Yen

Payments are made to or called from the tender account. The Invoice value is a debit posted to the tender account and called by 09:00 hours on the morning of the business day prior to the delivery day, but for value on the delivery day. The Account Sale value is a credit posted to the tender account prior to the delivery day. Payment will be made against the delivery of warrants, on the delivery day, for same day value by approximately 12:30 hours via PPS.

[LME Service](#) Clearing Members can access the Member Japanese Yen Settlement Advice Listing Report on the report printing and browsing facility.

#### **2A-13-12.2(b)** US Dollar/Sterling and Euro

Payments are made to or called from the collateral account. The Invoice and Account Sales values are debited and credited on the delivery day for same day value.

The Invoice value is a debit posted to the collateral account and called by 09:00 hours. The Account Sale value is a credit posted to the collateral account against the delivery of warrants by approximately 12:30 hours via PPS.

On the settlement day sold lots, for the same product, in USD, GBP or EUR are netted against bought lots in other currencies. The settlement value for the netted lots is credited or debited to the appropriate collateral account for the currency. -Remaining sold lots are delivered under normal procedures.

For example:

Currency	Product	Bought	Sold	Invoice Value DR	Account Sale Value CR	Confirmation Tim
USD	AH		72		2,535,079	09:00
EUR	AH	67		3,906,502		09:00

The Account Sale value of the remaining sold 5 lots will be credited at approximately 12:30 hours following delivery of the appropriate warrants.

**Note:** ~~for~~[For](#) the purpose of this example approximate Invoice and Account Sale values are used.

**2A.13.13**1.14.13 Payment of Allowances**2A.13.13.1(a)** Rent and Weight Differences

Allowance for accrued rent and any difference between warrant weight and contract tonnage weight are detailed on the Warrant Collection Adjustment Invoice ([Appendix Schedule 2A.A](#)) and Warrant Allocation Adjustment Invoice (~~Appendix 2B~~[Schedule 2A.B](#)) produced by LMEsword. The rent and weight values, calculated in US Dollars, are netted against each other ~~within account~~ to create an overall debit or credit amount ~~for the “H House” and Client “C” accounts separately. These amounts are.~~ This amount is posted to the [LME Service](#) Clearing Member’s US Dollar ~~“H” and “C” collateral accounts respectively~~account on the delivery day for value and settlement on the next business day.

The rent and weight debit and credit amount is posted by product and can be reconciled against either the Warrant Collection Adjustment Invoice or Warrant Allocation Adjustment Invoice.

**2A.13.13.2(b)** Premiums and Discounts

A premium or discount may apply to certain products for delivery purposes, refer to LME Rules and Regulations for applicable products and premium/discount rates. The premium/discount calculation is detailed on the Warrant Collection Adjustment Invoice ([Appendix Schedule 2A.A](#)) and Warrant Allocation Adjustment Invoice (~~Appendix 2B~~[Schedule 2A.B](#)) produced by LMEsword. The amount is posted to the [LME Service](#) Clearing Member’s ~~relevant~~ US Dollar collateral account on the delivery day for value and settlement on the next business day.

**2A.13.14**1.14.14 Delivery Specification

A deliverable warrant must meet the acceptance criteria set out in the LME special contract rules for metals ~~and plastics~~, listed brands and LME Registered Warehouses prescribed in the LME Rules and Regulations.

~~METALS AND PLASTICS DELIVERY TIMETABLE~~1.15 Metals Delivery Timetable

Day	Time	Action	
		Sellers	Buyers
For metals <del>and plastics</del> Two days prior to delivery day	20:00	Trading and input ceases for JPY.	Trading and input ceases for JPY.

Day	Time	Action	
		Sellers	Buyers
For metals <del>and plastics</del> Business day prior to delivery day	09:00	The Clearing House credits sellers, Account Sales value, for JPY for value the delivery day.	The Clearing House debits buyers, Invoice value, for JPY for value the delivery day.
For metals <del>and plastics</del> Business day prior to delivery day	At 12:30	Trading ceases for GBP/USD/EUR.	Trading ceases for GBP/USD/EUR.
	At 12:30	Input ceases for GBP/USD/EUR.	Input ceases for GBP/USD /EUR.
For metals <del>and plastics</del> Business day prior to delivery day	By Approx. 16:00	The Clearing House calculates delivery positions for sellers. The positions are sent to LMEsword.	The Clearing House calculates delivery positions for buyers. The positions are sent to LMEsword.
	By Approx. 16:30	The Clearing House informs the seller of delivery commitments via LMEsword. LMEsword produces Unauthorised Cleared Transfer Instructions for each seller.	
	From 16:30	Invoice and Account Sales report available via screen enquiry on the Clearing system.  Seller may nominate warrants to add to the Unauthorised Cleared Transfer Instruction.  Unauthorised Cleared Transfer Instruction may be Authorised ready for submission on the prompt date.	Invoice and Account Sales report available via screen enquiry in the Clearing system.
For metals <del>and plastics</del> Delivery day	By 07:30	Invoice and Account Sales report and Prompt Date Settlement Statement become available on the report printing and	

Day	Time	Action	
		Sellers	Buyers
	By 09:00	browsing facility.	The Clearing House debits buyer for Invoice value for delivery entitlement.
	By 10:30	Seller must inform Business Operations staff at the Clearing House if their delivery commitment will be late or if they cannot deliver.	
	By 11:00	Seller must nominate all necessary warrants in to an Authorised Cleared Transfer Instruction in order to fulfil delivery commitment.	Buyer receives warrants in fulfilment of delivery entitlements.
	At 11:00	Warrant Delivery Deadline	
		The Clearing House collects all Authorised Cleared Transfer Instructions from the seller.	
	By Approx 11:30	The Clearing House informs seller of warrants transferred.	
		The Clearing House initiates Warrant Allocation and Delivery process.	
	Approx 12:30	The Clearing House credits seller via PPS for Account Sales value for delivery commitments.	
	Approx 13:00	Warrant Collection Adjustment Invoice available.	Warrant Allocation Adjustment Invoice available.
		Rent and weight	Rent and weight

Day	Time	Action	
		Sellers	Buyers
	At 15:00	Adjustments posted to collateral accounts for payment on next succeeding value date.  Automatic end of day deadline for LMEsword Cleared Transfer Instructions.	Adjustments posted to collateral accounts for payment on next succeeding value date.  Automatic end of day deadline for LMEsword Cleared Transfer Instructions.

## DELIVERY PROCEDURES

### 1.16 Delivery Procedures

#### 2A.15.1.1.16.1 Cessation of Trading

##### 2A.15.1.1(a) Japanese Yen

For Metals ~~and Plastics~~:

Contracts must be entered into by 17:00 hours and input to the LMEsmart Matching System by 20:00 hours, two business days prior to the delivery day (i.e. 'cash' prompt date).

##### 2A.15.1.2(b) US Dollar, Sterling and Euro

For Metals ~~and Plastics~~:

Contracts must be entered into by 12:30 hours and input to the LMEsmart Matching System by 13:30 hours on the business day prior to the delivery day (i.e. 'cash today' prompt date).

#### 2A.15.2.1.16.2 Day Prior to Delivery Date

##### **By 09:00 Hours**

For JPY (only):

The Clearing House will debit buyers and credit sellers for the amount of the Invoice and Account Sales for value on the delivery day.

##### **By 16:00 Hours**

Delivery positions are calculated based upon [LME Service](#) Clearing Members' positions at the close of business the previous day and trades up to 12:30 hours on the day for the relevant product. The netted delivery position, for each member and sub account is calculated by netting the uncovered lots

across currencies for each product. ~~This is the delivery position for the “H House” account, for Client “C” accounts the results are aggregated to form the delivery position.~~

The Invoice and Account Sales report is made available via an enquiry screen in the Clearing System. The delivery positions and relevant Delivery Settlement Prices are sent from the Clearing system to the LMEsword system.

### **By 16:30 Hours**

A seller with a delivery commitment receives an Unauthorised Cleared Transfer Instruction from LMEsword for ~~the “H House” and aggregated “C”~~ each sub account and product. ~~These instructions~~ This instruction may be discarded by the seller and a new instructions created. Sellers must deliver to the Clearing House the number of warrants equal to their final delivery position.

The seller may nominate warrants as soon as the Unauthorised Cleared Transfer ~~Instructions are~~ Instruction is received and it can be Authorised up to 11:00 hours on the delivery date.

### **2A.15.3 1.16.3 Delivery Date**

#### **By 07:30 Hours**

The Clearing House will make the following reports available in the Clearing System:

Invoice and Account Sales;

Prompt Date Settlement Report.

#### **By 09:00 Hours**

The Clearing House will debit buyers for all delivery entitlements for the amount of the Invoice and Account Sales.

#### **By 10:30 Hours**

Sellers who anticipate that their delivery commitment will be made after the 11:00 hours delivery deadline or who are unable to fulfil their delivery commitment must inform the Clearing House.

#### **By 11:00 Hours**

The seller must nominate warrants in fulfilment of their advised delivery commitments into an Authorised Cleared Transfers Instruction.

#### **At 11:00 Hours - Delivery Deadline**

The LMEsword system will initiate the Warrant Collection process. All warrants held in a seller's Authorised Cleared Transfer Instruction will be transferred to the Clearing House.



**Approximately 11:30 Hours**

The seller will receive notification, via LMEsword, that their Authorised Cleared Transfer Instruction has been collected.

The Clearing House will initiate the Warrant Allocation and Delivery process. All warrants collected will be ordered in accordance with the LMEsword warrant allocation method.

The Clearing House will transfer the allocated warrants to the buyer's mandatory House or Customer collection accounts. The buyer will receive notification of the warrants transferred from the Clearing House via the LMEsword system.

**Approximately 12:30 Hours**

Following receipt of all warrant delivery commitments from the seller the Clearing House will make payment of the Invoice and Account Sale amount via PPS (or by any other method as specified by the Clearing House).

**By 13:00 Hours**

Following the completion of the Warrant Collection and Warrant Allocation Delivery process the LME will make the following reports available via LMEsword :

- (a) Warrant Collection Adjustment Invoice ([Appendix Schedule 2A.A](#));
- (b) Warrant Allocation Adjustment Invoice ([Appendix 2B Schedule 2A.B](#)).

The rent and weight Adjustments are posted to [LME Service](#) Clearing Members' US Dollar collateral accounts for value and settlement on the next business day.

**At 15:00 Hours - End of LMEsword -Cleared Transfer Day**~~DELIVERY DOCUMENTATION SUMMARY~~1.17 Delivery Documentation Summary~~2A.16.1~~ 1.17.1 Warrant Collection Adjustment Invoice ([Appendix Schedule 2A.A](#))

The report is produced by LMEsword for each product delivery commitment transferred from the seller to the Clearing House and provides the following details:

- (a) the delivery date;
- (b) the seller's mnemonic and name;
- (c) the seller's LMEsword participant name;
- (d) the product code and name;

- (e) the sub account;
- (f) the Delivery Settlement Price for the product;
- (g) the warehouse company code for the warrant/s;
- (h) the location code for the warrant;
- (i) the warrant number;
- (j) the brand for the warrant;
- (k) the net weight of the warrant;
- (l) the weight adjustment of the warrant;
- (m) the rent start date of the warrant;
- (n) the rent due on the warrant;
- (o) the total net weight and adjusted weight amount due;
- (p) the total rent due;
- (q) the collateral account posting;
- (r) the total number of warrants.

<p><u>LME Service</u> Clearing Members are advised to print this report and retain it as a record of their warrant delivery.</p>
--

**2A.16.2.1.17.2** Warrant Allocation Adjustment Invoice (~~Appendix 2B~~ Schedule 2A.B)

The report is produced by LMEsword for each product delivery entitlement transferred from the Clearing House and to the buyer provides the following details:

- (a) the delivery date;
- (b) the buyer's mnemonic and name;
- (c) the buyer's LMEsword participant name;
- (d) the product code and name;
- (e) the sub account;
- (f) the Delivery Settlement Price for the product;
- (g) the warehouse company code for the warrant/s;

- (h) the location code for the warrant;
- (i) the warrant number;
- (j) the brand for the warrant;
- (k) the net weight of the warrant;
- (l) the weight adjustment of the warrant;
- (m) the rent start date of the warrant;
- (n) the rent due on the warrant;
- (o) the total net weight and adjusted weight amount due;
- (p) the total rent due;
- (q) the collateral account posting;
- (r) the total number of warrants.

LME Service Clearing Members are advised to print this report and retain it as a record of their warrant delivery.

## APPENDIX 2A

### warrant collection adjustment invoice

#### 1.18 LME Client Clearing

##### 1.18.1 LME Client Clearing – Ancillary Documentation

###### (a) Security Deed

Unless specified otherwise by the Clearing House, an LME Service 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 LME Service Clearing Member is required to ensure that it includes certain language in its agreement with its LME Clearing Client (the "Clearing House Prescribed Language"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

LME Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[●]<sup>1</sup>

##### 1.18.2 Backup Clearing Members

An LME Service Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the LME Service Contracts entered into by a LME Service Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of an LME Service Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of an LME Service Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by an LME Service Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that LME Service Contracts will always be

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1 To insert web address upon the relevant website link going live

transferred to that Backup Clearing Member. Porting of LME Service Contracts, following an LME Service Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.19 Indirect Clearing

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

(a) in circumstances where (i) the LME Service 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 LME Service 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 LME Service 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**"); or

(b) transfer the relevant Related LME Service Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant LME Service Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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 LME 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 LME Service Contracts to the LME Service Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.19.2 Each of the steps referred to in paragraphs 1.19.1(a) and 1.19.1(b) 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 LME Service Clearing Member to the relevant LME Service Clearing Client or from the relevant LME

Service Clearing Client to the relevant LME Service 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 LME Service Clearing Member on the relevant LME Service Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that LME Service Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related LME Service 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 LME Service Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant LME Service Clearing Client, the Clearing House will usually arrange a transfer of Related LME Service Contracts in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.19.2, a "Related LME Service Contract" means in respect of a transaction between a LME Service Clearing Member and a LME Service Clearing Client which has been terminated on an early termination date, the open position represented by the LME Service Contract entered into with the Clearing House by such LME Service Clearing Member on behalf of the relevant LME Service Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.19.2, the LME Service Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**SCHEDULE 2A.A**  
**Warrant Collection Adjustment Invoice**

**Warrant Collection Adjustment Invoice for 24-Apr-2005**

<b>Giver Clearing Mnemonic</b> : XYZ International Ltd	<b>Date Printed</b> : 24-Apr-2005
<b>Giver Participant ID</b> : 5002	<b>Time Printed</b> : 15:27:14
<b>Sub-Account</b> : H House	
<b>Product</b> : PB Lead	
<b>Settlement Price</b> : 474.00 USD	
:	

Warehouse Company Code	Location Code	Warrant Number	Brand	Net Weight	Weight Adjustment	Rent Date	Start Rent (USD)	Discount Rate (N/A)	Discount (N/A)
ABCDEF	GHIJ	LON1234	KLMNO	24,846	-73.00 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON1239	KLMNO	24,978	-10.43 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON1236	KLMNO	24,921	-37.45 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON3456	KLMNO	24,913	-41.24 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON4321	KLMNO	24,983	-8.06 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON9876	KLMNO	24,871	-61.15 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON9865	KLMNO	24,829	-81.05 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON8945	KLMNO	24,822	-84.37 DB	01-Apr-2000	-620.50 DB	0.00	0.00
ABCDEF	GHIJ	LON3267	KLMNO	24,911	-42.19 DB	01-Apr-2000	-620.50 DB	0.00	0.00
				<b>224,074</b>	<b>-438.94 DB</b>		<b>-5,584.50 DB</b>		<b>0.00</b>
<b>Total Number of Warrants Given : 9</b>				<b>Collateral Cover Account Posting : -6,023.44 DB</b>					





**APPENDIX 2B**

warrant ALLOCAtion adjustment invoice

**SCHEDULE 2A.B**  
**Warrant Allocation Adjustment Invoice**

Warrant Collection Adjustment Invoice for 24-Apr-2005			
<b>Taker Clearing Mnemonic</b>	: XYZ International Ltd	<b>Date Printed</b>	: 24-Apr-2005
<b>Taker Participant ID</b>	: 5003	<b>Time Printed</b>	: 15:30:14
<b>Sub-Account</b>	: H House		
<b>Product</b>	: NI Nickel		
<b>Settlement Price</b>	: 8,160.00 USD		
	:		

Warehouse Company Code	Location Code	Warrant Number	Brand	Net Weight	Weight Adjustment	Rent Start Date	Rent (USD)	Discount Rate (N/A)	Discount (N/A)
ABCDEF	GHIJ	LON1234	MLNOP	5,928	587.52 CR	01-Apr-2000	201.48 CR	0.00	0.00
ABCDEF	GHIJ	LON1235	MLNOP	5,916	685.44 CR	01-Apr-2000	201.48 CR	0.00	0.00
ABCDEF	GHIJ	LON1236	MLNOP	5,904	783.36 CR	01-Apr-2000	201.48 CR	0.00	0.00
ABCDEF	GHIJ	LON1237	MLNOP	6,000	0.00	01-Apr-2000	201.48 CR	0.00	0.00
ABCDEF	GHIJ	LON1238	MLNOP	5,969	252.96 CR	01-Apr-2000	201.48 CR	0.00	0.00
				29,717	2,309.28 CR		1,007.40 CR		0.00
<b>Total Number of Warrants Taken : 5</b>									
					<b><del>Collateral</del>Cover</b>		<b>Account Posting : 3,316.68 cr</b>		

**SECTION 2B**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2B**

**REPOCLEAR CLEARING SERVICE**

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CONTENTS

<u>Section</u>	<u>Page</u>
<del>2B.—REPOCLEAR.....</del>	<del>2</del>
<del>2B.1—GENERAL INFORMATION.....</del>	<del>2</del>
<del>2B.2—OPERATING TIMES.....</del>	<del>9</del>
<del>2B.3—REGISTRATION.....</del>	<del>9</del>
<del>2B.4—NETTING PROCESS AND SETTLEMENT.....</del>	<del>13</del>
<del>2B.5—POSITION ACCOUNTS.....</del>	<del>26</del>
<del>2B.6—FINANCIAL ACCOUNTS.....</del>	<del>26</del>
<del>2B.7—MARGINING.....</del>	<del>27</del>
<del>2B.8—NOTIFICATIONS TO THE CLEARING HOUSE REGARDING ACTIVITIES         OF REPOCLEAR DEALERS.....</del>	<del>29</del>
<del>2B.9—REPOCLEAR STERLING GENERAL COLLATERAL PRODUCT.....</del>	<del>32</del>
<del>2B.10—REPOCLEAR EURO GENERAL COLLATERAL PRODUCT.....</del>	<del>33</del>
<del>2B.11—DEFAULT MANAGEMENT.....</del>	<del>34</del>
<del>APPENDIX 2B.A.....</del>	<del>36</del>
<del>SETTLEMENT TIMETABLE—REPOCLEAR CONTRACT.....</del>	<del>36</del>
<del>APPENDIX 2B.B.....</del>	<del>39</del>
<del>SETTLEMENT TIMETABLE—REPOCLEAR CONTRACTS.....</del>	<del>39</del>
<del>APPENDIX 2B.C.....</del>	<del>40</del>
<del>SETTLEMENT TIMETABLE—REPOCLEAR CONTRACTS.....</del>	<del>40</del>
<del>APPENDIX 2B.D.....</del>	<del>41</del>
<del>SETTLEMENT TIMETABLE—REPOCLEAR SGC CONTRACTS.....</del>	<del>41</del>
<del>APPENDIX 2B.E.....</del>	<del>42</del>
<del>SETTLEMENT TIMETABLE—REPOCLEAR CGC CONTRACTS.....</del>	<del>42</del>
<u>1. Repoclear Clearing Service.....</u>	<u>1</u>
<u>1.1 General Information.....</u>	<u>1</u>
<u>1.2 Operating Times.....</u>	<u>9</u>
<u>1.3 Registration.....</u>	<u>9</u>
<u>1.4 Netting Process and Settlement.....</u>	<u>14</u>
<u>1.5 Proprietary Accounts and Client Accounts.....</u>	<u>29</u>
<u>1.6 Position Accounts.....</u>	<u>30</u>
<u>1.7 Collateral Accounts.....</u>	<u>30</u>
<u>1.8 Margin and Collateral.....</u>	<u>31</u>
<u>1.9 Notifications to the Clearing House regarding activities of Repoclear Dealers..</u>	<u>33</u>
<u>1.10 Repoclear Sterling General Collateral Product.....</u>	<u>36</u>

---

<a href="#"><u>1.11 Repoclear Euro General Collateral Product .....</u></a>	<a href="#"><u>37</u></a>
<a href="#"><u>1.12 Default Management .....</u></a>	<a href="#"><u>38</u></a>
<a href="#"><u>1.13 Repoclear Client Clearing .....</u></a>	<a href="#"><u>40</u></a>
<a href="#"><u>1.14 Indirect Clearing.....</u></a>	<a href="#"><u>42</u></a>
<a href="#"><u>Schedule 1 Settlement Timetable – Repoclear Contract.....</u></a>	<a href="#"><u>44</u></a>
<a href="#"><u>Schedule 2 Settlement Timetable – Repoclear Contracts .....</u></a>	<a href="#"><u>48</u></a>
<a href="#"><u>Schedule 3 Settlement Timetable – Repoclear Contracts .....</u></a>	<a href="#"><u>50</u></a>
<a href="#"><u>Schedule 4 Settlement Timetable – Repoclear SGC Contracts .....</u></a>	<a href="#"><u>51</u></a>
<a href="#"><u>Schedule 5 Settlement Timetable – Repoclear €GC Contracts .....</u></a>	<a href="#"><u>53</u></a>

~~REPOCLEAR~~

~~GENERAL INFORMATION~~

## 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”), and from any Automated Trading System (“ATS”), as referred to in Regulation ~~56~~ and Regulation 56A63 (RepoClear transactions entered into through an Automated Trading System) and approved by the Clearing House for such purpose.

#### *Terminology*

1.1.1 : The following terms are defined in the “Definitions” sSection 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 Transactions”

“RepoClear SGC Transactions”

“RepoClear €GC Transactions”

The defined terms “Repo Trades”, “Bond Trades”, “SGC Trades”, “€GC Trades” and “GC Trades” are used in the Regulations to refer to trades transacted through Automated Trading Systems. See the Definitions sSection of the Rulebook for full definitions.

“SGC” is the term used in these Procedures to refer to sterling general collateral trades settled in Euroclear UK & Ireland, as described in this Rulebook.

“€GC” is the term used in these Procedures to refer to Euro general collateral trades, 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 SGC Trade” is used in these Procedures to refer to all SGC Trades that are eligible for clearing, whether they are received from an ATMS or ATS. Thus the term “Eligible SGC Trades” in these Procedures is used to refer to RepoClear SGC Transactions and SGC Trades, as those terms are used in the Regulations.

Furthermore, the term “Eligible €GC Trade” is used in these Procedures to refer to all €GC trades that are eligible for clearing, whether they are received from an ATMS or ATS. Thus the term “Eligible €GC Trades” in these Procedures is used to refer to RepoClear €GC Transactions and €GC Trades, as those terms are used in the Regulations.

The term **“Eligible GC Trade”** is used in these Procedures to refer to both Eligible SGC Trades and Eligible €GC Trades.

Clearing Members should note that:

- The term **“RepoClear Contract”** is used to refer to a registered contract arising from the registration of a RepoClear Transaction, Repo Trade or Bond Trade.
- The term **“RepoClear SGC Contract”** is used to refer to a registered contract arising from the registration of a RepoClear SGC Transaction or SGC Trade.
- The term **“RepoClear €GC Contract”** is used to refer to a registered contract arising from the registration of a RepoClear €GC Transaction or €GC Trade.
- The term **“RepoClear GC Contract”** is used to refer to both RepoClear €GC Contracts and RepoClear SGC Contracts.

### *RepoClear Functions*

1.1.2 : 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 GC Contracts and trade status.

Eligible Repo/Bond Trades and/or Eligible GC Trades submitted via an ATMS or ATS (see ~~section 2B.3.1~~ [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 GC Contracts and margin reporting are disseminated via Clearing Member Reporting (see ~~section 2B.1.3~~ [Section 1.3.1 \(Approved Trade Matching Systems \(ATMS's\) and Automated Trading Systems \(ATS's\)\)](#)).

### *Clearing House System Requirements*

1.1.3 : In order to submit Eligible Repo/Bond Trades and/or Eligible 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 2B.1.7~~[Section 1.1.8](#) below) must hold 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 2B.4.1~~[Section 1.4.1 \(Approved Depository/Settlement Systems \(“ADS”\)\)](#)). For example, at one of Euroclear, Clearstream Luxemburg (~~“CBL”~~) or Clearstream Frankfurt (~~“CBF”~~) for German Government Debt Securities. The Clearing House will publish details of further ADSs via Clearing Member circular.

Some ADSs additionally act as triparty agents for the settlement of Eligible €GC ~~€T~~Trades. Where an RCM (or RepoClear Dealer acting as transferor/ transferee – see ~~section 2B.1.7~~[Section 1.1.8](#) below) wishes to register Eligible €GC Trades, they must have the appropriate account structures in place at one or more ADS which allows them to both make and receive triparty deliveries of collateral at each of their chosen Approved Triparty Agents (~~“ATAs”~~).

RCMs and RDs must have a system to access RepoClear Member Reporting through a connection to the Clearing House’s Clearing Member-only web site.

### *Clearing Member Reporting*

[1.1.4](#) : An end-user reporting tool is provided to RCMs. All RepoClear reports will be disseminated via the Clearing House’s secure password access Clearing Member-only web site. 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 2B.7.3.2~~[Section 1.8.6\(b\) \(Initial Margin\)](#).

Queries about the Clearing Member-only web site should be directed to the Clearing House Help Desk on +44 (0)20 7426 7200.

### *Power of Attorney*

[1.1.5](#) : The Clearing House operates a Power of Attorney facility in respect of some depository systems and requires RCMs (and RepoClear Dealers acting as transferors/transferees) to provide a Power of Attorney in respect of each depository system where it is available (see ~~section 2B.4.1~~[Section 1.4.1 \(Approved Depository/Settlement Systems \(“ADS”\)\)](#)).

Under a Power of Attorney, the Clearing House sends matching settlement instructions to an ADS, on the RCM’s behalf (or on the RepoClear Dealer’s behalf when a RepoClear Dealer acts as transferor/ transferee). The use of a Power of Attorney, where it is available, facilitates the matching of settlement instructions at the relevant depository, and helps to eradicate settlement failure arising as a consequence of unmatched trades.

For Belgian Government Debt Securities, the Clearing House sends trade notifications to the RCM (or to RepoClear Dealer acting as transferor/transferee or an agent of the RCM if so requested by the RCM).

For settlement of both UK Government Debt Securities and RepoClear SGC Contracts, the Clearing House sends settlement instructions to Euroclear UK & Ireland using their **“Direct Input”** facility. The Direct Input facility options recorded by Euroclear UK & Ireland against the Euroclear UK & Ireland 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 Euroclear UK & Ireland to create matched settlement instructions automatically so that participants do not need to instruct Euroclear UK & Ireland 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 both UK Government Debt Securities and RepoClear SGC Contracts.

For contingency purposes, participants using Direct Input must have the capability to manually match the Clearing House's settlement instructions at Euroclear UK and Ireland (**“EUI”**). RepoClear Participants wishing to execute a Power of Attorney should contact Customer Support on +44 (0)20 7426 7147.

### *RepoClear Eligible Securities, Eligible SGC Baskets and Eligible €GC Baskets*

**1.1.6** : RepoClear Eligible Securities are those in respect of which Eligible Repo/Bond Trades or Eligible SGC Trades or Eligible €GC Trades may be registered.

**“Eligible SGC Baskets”** are those baskets in respect of which Eligible SGC Trades may be registered.

**“Eligible €GC Baskets”** are those baskets in respect of which Eligible €GC Trades may be registered.

The term **“GC Baskets”** includes both Eligible €GC Baskets and Eligible SGC Baskets.

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

A list of RepoClear Eligible Securities, Eligible SGC Baskets and Eligible €GC Baskets may be viewed on the Clearing House Clearing Member-only web site.

Where access to the Clearing House Clearing Member-only web site 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, Eligible SGC Baskets and Eligible €GC Baskets at all

times. Please note that if a RepoClear Dealer is authorised to trade in any one or more SGC Baskets or €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 RepoClear SGC Contract Terms and the RepoClear €GC Contract Terms) that are constituents of each particular Eligible SGC Basket and Eligible €GC Basket in respect of which that RepoClear Dealer is authorised.

### *Fees*

1.1.6 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

1.1.7 Clearing Member-only website. Changes to tariffs will be notified to RCMs by means of Clearing Member circulars.

### *RepoClear Dealers acting as transferors/transferees for settlement/ delivery purposes and allocations/notifications*

1.1.8 : 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 Commercial Services, LCH.Clearnet Limited) 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 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 ~~5516 (Registration)~~ or Regulation ~~56A63 (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 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 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 2B.1.7~~ Section 1.1.8 may only be made in respect of ~~ALL~~ all RepoClear Contracts ~~AND ALL~~ and all RepoClear 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 GC Contracts (e.g. those arising from Eligible Repo/Bond Trade initiated by that RepoClear Dealer but not those arising from Eligible SGC Trades).

### *Information flows for RepoClear Dealers*

1.1.9 : A RepoClear Dealer's RCM may grant access to its RepoClear Dealer to the Clearing House Clearing Member-only web site (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-only web site, 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.

### *Calculation of Price Differential*

1.1.10 : The day basis for the calculation of the price differential for RepoClear Contracts involving repos, and RepoClear SGC Contracts is as follows:

UK Government Debt Securities and Eligible SGC Trades:	Actual 365
All other eligible securities and Eligible €GC Trades:	Actual 360

### ~~2B.1.10~~ 1.1.11 *Withholding and Other Taxes: Miscellaneous Requirements*

#### *US Withholding Tax Requirements*

(a) : US tax laws generally impose a 30% withholding tax on payments of US source interest unless an exemption or reduced rate applies either through the application of US domestic tax legislation or by the operation of a Double Taxation Agreement between the US and the territory in which the payee is resident for tax purposes. This requirement also applies to the payment of "manufactured coupons" which are deemed to be interest under US tax legislation.

In order to reduce or eliminate US withholding tax, the appropriate tax documentation must be provided to the payor by each beneficial owner prior to the payment of interest "manufactured coupons". RCMs are therefore required to provide one of the relevant IRS forms to the Clearing House. A current form must be provided by each Member and replaced by the Clearing Member at the end of its period of validity.

The relevant forms will normally be one of:

- (i) ~~(1)~~ Form W-8BEN (~~“Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding”~~). It applies to foreign (i.e. non-US) persons (which includes, inter alia, non-resident alien individuals and foreign corporations) and is valid for a period of three years.
- (ii) ~~(2)~~ Form W-9 (~~“Request for Taxpayer Identification Number and Certification”~~). It applies to US persons and is valid indefinitely.

RCMs may obtain copies of these forms from the IRS website at:-

Form W-8BEN: <http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>

Instructions for Form W-8BEN: <http://www.irs.gov/pub/irs-pdf/iw8ben.pdf>

Form W-9: <http://www.irs.gov/pub/irs-pdf/fw9.pdf>

Any queries in relation to these forms or their completion should be referred to a Clearing Member's professional advisers.

Completed forms (which must be originals) should be submitted to the Clearing House's RepoClear Commercial Services.

RCMs will only be eligible to enter into RepoClear Contracts in US dollar denominated bonds if a completed form has been provided to the Clearing House which enables gross payment of interest ~~“/”~~ manufactured coupons ~~“”~~ without the deduction of US withholding tax.

If a completed form is submitted which enables the Clearing House to pay interest ~~“/”~~ manufactured coupons ~~“”~~ after deduction of US withholding tax (whether at standard or reduced rate), or if no relevant IRS form is submitted to the Clearing House, the Clearing Member will not be eligible to enter into RepoClear Contracts in US dollar denominated bonds.

If a subsequent change in circumstances makes any information (on the form previously submitted) incorrect, then the Clearing Member must notify the Clearing House within thirty days of such change taking place and provide the Clearing House with an appropriate replacement form (if applicable).

The Clearing House will provide a completed Form W-8BEN to each RCM clearing US dollar denominated bonds. It is the responsibility of every Clearing Member to ensure that it is in possession of one of these completed forms so that payments of ~~“/”~~ manufactured coupons ~~“”~~ can be made to the Clearing House without the deduction of any US withholding tax.

RCMs may wish to forward a copy of these Procedures to their taxation department.

### Miscellaneous Provisions

(b) : The operators of some ADSs and ATAs 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 or an ATA in respect of any bonds which are held within that system (and which are RepoClear Eligible Securities or Eligible Securities (as such term is used in the RepoClear €GC Contract Terms), the RepoClear Participant, prior to using the RepoClear service in respect of those bonds, must:

- (i) ~~(1)~~ provide such certificate or other documentation to the operator of the relevant ADS or ATA in accordance with the requirements of that ~~operator;~~ person;
- (ii) ~~(2)~~ obtain confirmation from that ~~operator~~ person that payments will be made without deduction of withholding tax; and
- (iii) ~~(3)~~ 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 ~~(2)~~(b) 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 or ATA and this renewal is not obtained

the RepoClear Participant must immediately notify Customer Support on +44 (0)20 7426 7619.

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 ~~paragraph 2B.1.10~~Section 1.1.11 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 SGC



Contract or the underlying Eligible Securities (as such term is used in the RepoClear SGC contract terms) thereof, or RepoClear €GC Contract or the underlying Eligible Securities (as such term is used in the RepoClear €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.

## OPERATING TIMES

### 1.2 Operating Times

#### *RepoClear Opening Days*

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

#### *Opening Hours*

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

07:00 to 19:00 London time

#### *Trade Acceptance Hours*

1.2.3 : RepoClear Trade Acceptance Hours are constrained by the operating hours of the ATMS's and ATS's. See ~~Appendices 2B.A, 2B.B, 2B.C, 2B.D~~ [Schedule 1, Schedule 2, Schedule 3, Schedule 4](#) and ~~2B.E~~ [Schedule 5](#) for the Settlement Timetables.

## REGISTRATION

### 1.3 Registration

#### *Approved Trade Matching Systems (ATMS's) and Automated Trading Systems (ATS's)*

1.3.1 : The Clearing House will only accept Eligible Repo/Bond Trades and Eligible GC Trades submitted from an ATMS or ATS approved by the Clearing House in accordance with ~~2B.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.

A list of ATMSs and ATSs, as approved by the Clearing House, (with their respective Trade Acceptance Hours) appears in the table below. 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 SGC Trades and/or Eligible €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 SGC Trades or Eligible €GC Trades (whether submitted through an ATMS or ATS) in any SGC Basket or €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 2B.8.5-Section 1.9.5 \(Request from an RCM or RepoClear Dealer to trade GC Baskets\)](#).

System	System Type	Trade Acceptance Hours (London Local Time)	Eligible Repo/Bond Trades	Eligible SGC Trades	Eligible €GC Trades
BrokerTec	ATS	07:00 to 17:00	Yes	Yes	Yes
eSpeed	ATS	07:00 to 17:00	Yes	No	No
EuroMTS (inc MTS Austria and MTS Ireland)	ATS	07:00 to 17:00	Yes	No	No
MTS Amsterdam	ATS	07:00 to 17:00	Yes	No	No
MTS Associated Markets (inc MTS Belgium & MTS Finland)	ATS	07:00 to 17:00	Yes	No	No
<a href="#">MTS Finland</a> <a href="#">MTSFinland</a>	ATS	07:00 to 17:00	Yes	No	No
MTS Italy (non-Italian securities)	ATS	07:00 to 17:00	Yes	Yes	Yes



System	System Type	Trade Acceptance Hours (London Local Time)	Eligible Repo/Bond Trades	Eligible SGC Trades	Eligible €GC Trades
MTS Deutschland	ATS	07:00 to 17:00	Yes	No	No
tpREPO	ATS	07:00 to 17:00	Yes	No	No
ETCMS	ATMS	07:00 to 18:00	Yes	Yes	Yes

### Submission for Registration

1.3.2 : RepoClear Participants who wish a trade to be registered by the Clearing House, must either include the Clearing House identifier code in the appropriate field within the message format, or, in the case of a trade executed through an ATS, elect to have that trade forwarded to the Clearing House for registration.

Where ETCMS is used, RepoClear Participants must send their trade details to the Euroclear Operator either by means of SWIFT MT515, Euclid PC, Euclid Server or HSS/X25 File Transfer. The Clearing House will then receive from the Euroclear Operator trade details using matched format messages. 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 SGC Trades and Eligible €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 and ATAs by prescribed times. Cut-off times for each type of debt are included in ~~Appendices 2B.A—2B.E.~~ [Schedule 1 to Schedule 5](#). 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 Euroclear operator in respect of its ETCMS service) or trading services, as the case may be.

Without prejudice to Regulation [3952\(e\) \(Exclusion of Liability\)](#), 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.

### *Intra-day Registration*

1.3.3 : The Clearing House will seek to register all Eligible Repo/Bond Trades and Eligible GC Trades intra-day. The RepoClear system will promptly respond after processing, by notifying RCMs via Clearing Member Reporting, as to the status (registration, pending or rejection) of the trade.

The Clearing House may require an RCM 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.

### *Rejected Trades*

1.3.4 : Trades submitted for registration which:

~~(i)~~(a) do not meet the Product eligibility criteria as set out in the Product Specific Contract Terms and Eligibility Criteria ~~as set out in the relevant parts of Manual and published on the Schedule~~ Clearing House's website from time to the RepoClear Regulationtime; or

~~(ii)~~(b) contain invalid or incomplete message data; or

~~(iii)~~(c) 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:

- (i) it 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) if such trade is in respect of an Eligible SGC Basket or Eligible €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 GC Contracts, as the case may be) arise between the Clearing House and the RCMs concerned and (subject to Regulation ~~39~~e52(e) (*Exclusion of Liability*)) the Clearing House (that is, LCH.Clearnet Limited, and each other undertaking which is a member of the LCH.Clearnet Group, their officers, employees and agents) has no liability in respect thereof.

*Amendment, Cancellation and Deletion of Registered Trades*

1.3.5 : Once a trade has been registered in the RepoClear service for clearing as a RepoClear Contract, RepoClear SGC Contract, or RepoClear €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, RepoClear SGC Contract or RepoClear €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 ~~Schedule to the RepoClear Regulations~~ [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,, RepoClear SGC Contract or RepoClear €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.

*Substitution – Eligible Repo/Bond Trades only*

1.3.6 : There are two methods of effecting a substitution of securities through RepoClear with regard to RepoClear Contracts arising pursuant to Regulation ~~55~~ [16 \(Registration\)](#):

~~(i)~~ (a) RepoClear Participants can contact their original counterparty and submit RepoClear Transactions in accordance with details in the ~~appendix~~ [Schedule](#) of the RepoClear Service Description; or

(b) ~~(ii)~~ RepoClear Participants who do not wish to contact their original counterparty should contact Clearing House Operations on +44 (0)20 7426 7660 by 10:00 on the morning they wish to negotiate the substitution. Clearing House Operations will respond to RCMs by 11:30 advising the details of the agreed substitution. RepoClear Participants should then enter RepoClear Transactions, in accordance with details in the ~~appendix~~ [Schedule](#) of the RepoClear Service Description.

With regard to RepoClear Contracts arising pursuant to Regulation ~~56 or Regulation 56A~~ [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.

**2B.3.7.1.3.7** Trading in "when issued" securities ("grey market")

**2B.3.7.1(a)** In certain circumstances the Clearing House will register eligible trades in "when issued" securities. Details of such securities will appear from time to time on the list of eligible securities which may be viewed on the Clearing Member-only web site.

In the event that a "when issued" security is added to the list of RepoClear Eligible Securities, but the issue does not go ahead as planned, the Clearing House shall be entitled to reject any transaction in that security submitted for registration, and any contract already registered by the Clearing House in respect of that security shall be deemed void from the point of entry into those contracts (void ab initio) by the Clearing House. Subject to **2B.3.7.2.1.3.7(b)** below, the Clearing House will return any Collateral transferred to it in respect of any such contract. The Clearing House (that is, LCH.Clearnet Limited, and each other undertaking which is a member of the LCH.Clearnet Group, their officers, employees and agents) will have no other liability in respect of those contracts.

**2B.3.7.2(b)** Where any contract in such a "when issued" security has arisen and the issue does not go ahead as planned, the RepoClear Participants party to it must ensure that an equal and opposite trade in that security is submitted for registration by the Clearing House. As soon as such trade is received and registered, the Clearing House will return any Collateral transferred to it in respect of the initial trade. RCMs should note that the Clearing House will not return such Collateral until such equal and opposite trade is received and registered by the Clearing House.

For transactions submitted through an ATMS, the RepoClear Participants will normally have to input such equal and opposite trades themselves. In trades arising through an ATS, RepoClear Participants should familiarise themselves with the applicable rules of that ATS in order to ensure that this requirement is met. RCMs should note that it may be the case that the ATS itself will generate such equal and opposite trade without the need for any intervention by the RepoClear Participants. Whichever route is applicable, it remains an obligation upon the respective RCMs to ensure that an equal and opposite trade is sent – otherwise margin obligations will continue to apply for the rest of the life of the initial "when issued" trade.

**2B.3.7.3(c)** RCMs should note that tap issues for United Kingdom Government Debt Securities will not be eligible on a "when issued" basis.

This provision is not applicable to RepoClear GC Contracts and no trading in "when issued" securities is permissible as part of these products.

**NETTING PROCESS AND SETTLEMENT****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 ~~Appendices 2B.A to 2B.E~~ Schedule 1 to Schedule 5.

Approved Depository/Settlement Systems (~~("ADS")~~)

1.4.1 ~~"): 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
Austrian, Dutch, Irish, Finnish, Portuguese, Slovenian, Slovakian and Spanish Government Debt Securities	N/A	Clearstream Luxembourg (CBL)	85068	Yes
	N/A	Euroclear	20920	Yes
German Government Debt Securities and German Jumbo Pfandbrief Bonds	N/A	Clearstream Luxembourg (CBL)	85068	Yes
	Deutsche Bank	Clearstream Frankfurt (CBL)	7665	Yes
	N/A	Euroclear	20920	Yes
International Bonds (including	N/A	Clearstream Luxembourg	85068	Yes

Category	Clearing House RepoClear Agent	ADS	Account Number	Power of Attorney
US \$ International Bonds)	N/A	(CBL)  Euroclear	20920	Yes
Belgian Government Debt Securities	KBC Bank	National Bank of Belgium  Cash Securities	0402  482-7930011-33  482-7930010-32	Yes  Yes  Yes
United Kingdom Government Debt Securities (other than RepoClear SGC Contracts)	N/A	Euroclear UK & Ireland	GIKAV	No (but see note below)
SGC Baskets for RepoClear SGC Contracts	N/A	Euroclear UK & Ireland	LCSGC	No (but see note below)
	Note: settlement of UK Government Debt Securities uses the Euroclear UK & Ireland 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 Euroclear UK & Ireland simultaneously generates a counterparty settlement instruction without the need for a separate matching instruction to be sent by the counterparty itself			
€GC Baskets for RepoClear	N/A	Euroclear  Main		Yes

Category	Clearing House RepoClear Agent	ADS	Account Number	Power of Attorney
€GC Contracts		account	14463	Yes
		AAA Basket A/C	18237	
		AA Basket A/C	18240	
		A Basket A/C	18251	
		A/C for all Single Issuer Baskets	<del>29166</del>	
		Excluding German Sub-10)		
		German Sub-10	11844	
		Clearstream Luxembourg	11826	
		Main account	11830	
		AAA Basket A/C	11841	
		AA Basket A/C	14492	
		A Basket A/C		
A/C for all Single Issuer	14718			

Category	Clearing House RepoClear Agent	ADS	Account Number	Power of Attorney
		Baskets (Excluding German Sub-10) German Sub-10		

An RCM must inform the Clearing House of its full settlement account details for settlements resulting from RepoClear Contracts and RepoClear 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 2B.1.7~~[Section 1.1.8](#) 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.

### Netting Processes

#### [1.4.2](#) : 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.

#### All other Eligible Securities

All RepoClear Contracts which:

~~4.(a)~~ are for settlement on the business day following the current business day (~~("Next Business Day")~~); and,

~~2.(b)~~ which have been registered prior to the 15.00 registration deadline time on the current business day



will be entered into a daily netting process following the 15.00 registration deadline.

RepoClear Contracts which are:

- ~~4.~~(a) for settlement on the Next Business Day and are registered after the 15.00 registration deadline time (~~See Appendix 2B.A~~see Schedule 1 and 2B.B.Schedule 2 for the applicability of this registration deadline); or,
- ~~2.~~(b) for settlement on the current business day and are registered prior to the relevant 09.30 or 10.30 registration deadline, will be entered into the next netting process immediately following the relevant 09.30 or 10.30 registration deadline on the current business day.

The settlement timetable for Austrian, Dutch, Irish, Finnish, German, Portuguese, Slovenian, Slovakian and Spanish Government Debt Securities, together with German Jumbo Pfandbrief and International Bonds is given in ~~Appendix 2B.A~~Schedule 1 and the settlement timetable for Belgium Government Debt is given in ~~Appendix 2B.B~~Schedule 2.

For the avoidance of doubt, it should be noted that the use of two netting runs for the same security for the same value date, may result in an increase in settlement obligations for a given value date than may have been the case if just one netting process was to be used.

In such netting process no distinction will be made between securities forming part of RepoClear Contracts arising from RepoClear Repo Transactions, Repo Trades or Bond Trades. The results of netting are subject to settlement shaping. The settlement shape is subject to a maximum size shown in the table below. The shaping size and times below may change from time to time and such changes 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), securities issue and ADS combination.

RepoClear SGC Contracts only

RepoClear SGC Contracts will be netted on each day upon which the RepoClear SGC service operates. They 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.

RepoClear €GC Contracts only

RepoClear €GC Contracts will be netted on each day upon which the RepoClear €GC service operates. They will be netted by RepoClear at the Participant and Eligible €GC Basket level, as specified in the contract terms. The results of netting will not be 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 processing 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 Eligible €GC Baskets and for cash, for each RCM, and for each RepoClear Dealer who has been appointed as transferor/transferee.

<b>Category</b>	<b>Shape size</b>	<b>Start Netting Process</b>	<b>RepoClear Participants Informed by</b>
Austrian, Dutch, Irish, Finnish, Portuguese, Slovenian, Slovakian and Spanish Government Debt Securities	EUR 50mn	Same Day Settlement: 10:30 Overnight Settlement: 15:00	Same Day Settlement: 11:30 Overnight Settlement: 16:30
German Government Debt Securities and German Jumbo Pfandbrief Bonds	EUR 50mn	Same Day Settlement: 09:30 Overnight Settlement: 15:00	Same Day Settlement: 10:30 Overnight Settlement: 16:30
International Bonds US \$ International Bonds	EUR 50mn US \$ 50mn	Same Day Settlement: 10:30 Overnight Settlement: 15:00	Same Day Settlement: 10:30 Overnight Settlement: 16:30
Belgian Government Debt Securities	EUR 100mn	Same Day Settlement: 10:30 Overnight Settlement: 15:00	Same Day Settlement: 11:30 Overnight Settlement: 16:30
United Kingdom Government Debt Securities	£50mn	11:30	12:30

Category	Shape size	Start Netting Process	RepoClear Participants Informed by
SGC Baskets	£250mn	14:30	15:10
€GC Baskets	None	10:30	11:00

A worked example of the Netting Process can be found in the RepoClear Service Description.

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. At this time, RCMs (and those RepoClear Dealers who have been granted access to Clearing Member Reporting) will be informed as to whether they will be required to make a cross-border delivery or not.

### Settlement

1.4.3 : 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 or ATA are met at all relevant times.

The Clearing House will send its settlement instructions to each of the ADSs or ATAs. Where a Power of Attorney arrangement is in place, the Clearing House will send the relevant instructions on behalf of the RepoClear Participant to its settlement account at the relevant ADS or ATA. For settlement of both UK Government Debt Securities and RepoClear SGC Contracts, the Direct Input facility of Euroclear UK & Ireland must be used. Where a Power of Attorney arrangement or a Direct Input facility is not in place, RepoClear Participants must upon receipt of their settlement obligations, match the settlement instruction in the ADS in a timely manner such as to enable settlement to occur in the standard cycle on the intended settlement date.

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 ~~2B.4.4~~ [1.4.4 \(Failed and Partial Settlement\)](#)).

In order to give RCMs the full benefit of the automated settlement cycles at relevant ADSs, the RepoClear service will take full deliveries from CBL or CBF Members into its EOC account in the optional daytime bridge which is in place between EOC and CBL or CBF – provided that these deliveries are handled within the timeframe and guidelines defined by EOC, CBL and CBF.

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 obligations relating to RepoClear Contracts which are instructed by the Clearing House on the day prior to settlement value i.e. S-1, settle in the overnight cycles at
  - ⊖  Clearstream Frankfurt (CBF)
  - ⊖  Clearstream Luxemburg (CBL)
  - ⊖  Euroclear
- settlement relating to all other RepoClear Contracts and RepoClear GC Contracts occurs in the first available daytime 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, RepoClear €GC Contracts and RepoClear SGC Contracts to settle on their intended settlement dates in the settle cycles specified above.

~~Section 2B.4.4~~ [Section 1.4.4 \(Failed and Partial Settlement\)](#) describes procedures for settlement of failed and partial settlement.

To reduce the occurrence of 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 ADS Power of Attorney instructions issued over their account.

The settlement timetable for United Kingdom Government Debt Securities is given in ~~Appendix 2B.C.~~ [Schedule 3.](#)

The settlement timetable for RepoClear SGC Contracts (i.e. Sterling GC Baskets) is given in ~~Appendix 2B.D.~~ [Schedule 4.](#)

The settlement timetable for RepoClear €GC Contracts (i.e. €GC Baskets) is given in ~~Appendix 2B.E.~~ [Schedule 5.](#)

RCMs will be informed of changes to these timetables via Clearing Member circular.

All securities delivered to the Clearing House, whether forming part of RepoClear Contracts or RepoClear 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.

#### **2B.4.4** 1.4.4 *Failed and Partial Settlement*

**2B.4.4.1(a)** Providing that the Clearing House has the facility to borrow securities, it will, where possible, seek to ensure settlement by borrowing securities in a case where a RepoClear Participant fails to deliver securities to the Clearing House.

In general costs, charges and expenses incurred by the Clearing House in connection with such borrowing will 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.

Where there is no facility to borrow securities, all costs, charges and expenses incurred by the Clearing House in connection with a failure to deliver securities by an RCM will be charged by the Clearing House to the RCM who fails to deliver as required by this Rulebook. 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 SGC Contract Terms and RepoClear €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 will 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.

Austrian, Dutch, Irish, Finnish, German, Portuguese, Slovenian and Slovakian Government Debt Securities, German Jumbo Pfandbrief Bonds and International Bonds (including US Dollar International Bonds) (as described in **Part B of the Schedule to the RepoClear Regulations**[the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time](#)).

Where an automated settlement cycle is in place at an ADS, the Clearing House will use this settlement cycle to recycle automatically

any unsettled instructions. Fails and partials will be identified at the end of each automated settlement cycle of the ADS.

Any previously instructed settlement obligation which does not settle prior to the Clearing House's 15.00 registration deadline will usually be cancelled and re-entered into the netting process immediately following that registration deadline.

Unsettled settlement instructions will not be re-entered into the 09.30 or 10.30 netting processes.

Where the Clearing House seeks to borrow securities to ensure settlement but is unable to borrow sufficient securities to ensure settlement of the total obligation, the buying RepoClear Participant may be required by the Clearing House to accept a partial settlement. The remaining portion of the partial settlement will be entered into the next day's netting process immediately following the 15:00 registration deadline. Notification of any partial settlement will be made through Clearing Member Reporting.

Belgian and Spanish Government Debt Securities (as described in ~~Part B of the Schedule to the RepoClear Regulations~~ [the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time](#)).

A failed settlement will not be re-entered into the next day's Netting Process.

United Kingdom Government Debt Securities - RepoClear Contracts only.

A failed settlement with regard to a RepoClear Contract will not be re-entered into the next day's Netting Process.

Where the transfer of securities from the Clearing House to an RCM or a RepoClear Dealer acting as transferee, fails during the Euroclear UK & Ireland DVP settlement process, the Clearing House may in its discretion, use one or more Euroclear UK & Ireland "free of payment" transactions to transfer the appropriate securities in order to satisfy its delivery obligations in respect of any RepoClear Contract.

Where delivery is to be made in this way to an account operated by or on behalf of an RCM or RepoClear Dealer (acting as transferee), the Clearing House will obtain payment by means of the PPS system for securities so delivered. The Clearing House will obtain the funds via the PPS system and notify the RCM accordingly. Such payment will be called prior to the execution of the transaction in Euroclear UK & Ireland.

The Clearing House is not able to borrow UK government bonds within Euroclear UK & Ireland and as a consequence RepoClear

Participants are required by the Clearing House to accept partial settlement.

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.

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.

#### Sterling GC Baskets – RepoClear SGC Contracts

A failed settlement will not be re-entered into the next day's Netting Process.

Where the Clearing House is unlikely to receive sufficient securities to ensure settlement, 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. Partial instructions created by the Clearing House will not be created using the Euroclear UK & Ireland Direct Input facility and will require matching on the Euroclear UK & Ireland 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.

#### €GC Baskets – RepoClear €GC Contracts

A failed settlement will not be re-entered into the next day's Netting Process.

Where the Clearing House is unlikely to receive sufficient securities to ensure settlement, 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.

**2B.4.4.2(b)** Where the Clearing House gives settlement instructions under a Power of Attorney or using the Euroclear UK & Ireland 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.

~~2B.4.4.2A~~ *Partial Delivery and Default*

(i) : In the event that a Default Notice is issued by the Clearing House in respect of an RCM (~~“the Defaulting Clearing Member”~~) and:-

~~(i)~~(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 GC Contracts, to which it is party and which are due for settlement prior to the issue of such Default Notice; or

~~(i)~~(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 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 (i), 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 (ii) above, as the case may be to each of those RepoClear Contracts in accordance with the following provisions. For the purpose of this ~~s~~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 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 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 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 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.

#### *Failed cash settlements*

(c) : For cash only transfer messages where the Clearing House holds a power of attorney or where the Euroclear UK & Ireland Direct Input facility is used by the Clearing House, the Clearing House will send a SWIFT message to the relevant ADS requesting a debit to the relevant cash account of the RCM (or RepoClear Dealer where it is acting as a transferor/transferee). Where the Clearing House does not hold a power of attorney or Direct Input facility is not used by the Clearing House, the RCM is responsible for ensuring that the appropriate cash movement occurs.

Where the Clearing House does not hold a power of attorney and requires an RCM (or RepoClear Dealer where it is acting as a transferor/transferee) to effect a cash movement, and such transfer does not occur at the required or appropriate time, the Clearing House shall be entitled to reimbursement by the RCM (or the RepoClear Dealer’s RCM) in respect of any charges, losses, costs and expenses incurred by

the Clearing House as a result of such failed cash settlement. Such charges, losses, costs and expenses shall be deducted by the Clearing House via that RCM's PPS account.

### *Cancellation of Original Settlement Obligations*

1.4.5 : For RepoClear Eligible Securities other than UK Government Debt Securities (and, where specified, Belgian and Spanish Government Debt Securities), the settlement instructions will be cancelled:

(i)(a) where a partial settlement has been imposed in relation to a RepoClear Contract or a RepoClear SGC Contract; or

(ii)(b) where a RepoClear Contract remains unsettled in respect of all EUR dominated eligible securities (other than Belgian and Spanish Government Debt Securities) such contracts are eligible for reintroduction to the netting process for the following settlement day.

Where a Power of Attorney is in place, the RepoClear Participant's settlement instruction will be cancelled by the Clearing House. Where the Direct Input facility is operative, the RepoClear Participants' settlement instructions will have to be cancelled by both the Clearing House and the RepoClear Dealer.

### *Coupon Transfer and Reporting*

1.4.6 : 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.

However, when the bond has an early record date and continues to trade positive accrued interest up to payment date, the Clearing House will handle coupon payments. For a Bond Trade or RepoClear Bond Transaction registered with a value date between the record date and coupon pay date, or where a coupon payment for a Bond Trade or RepoClear Bond Transaction occurs during a failed settlement period, the Clearing House will claim the coupon payment from the selling RCM (or from the RepoClear Dealer's RCM) and pay any moneys so received to the buying RCM (or RepoClear Dealer's RCM, as the case may be).

#### €GC Trades and Sterling GC Trades

No coupon realignment will be performed by the Clearing House in respect of €GC contracts or Sterling GC contracts.

#### *Insolvency or other default of an issuer*

1.4.7 : 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 SGC Contract Terms and RepoClear €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 SGC Contract Terms and RepoClear €GC Contract Terms) as the case may be is suspended by any ADS or ATA, the

Clearing House may, in its discretion, cash settle any RepoClear Contract or RepoClear GC Contract in such terms between the relevant RCMs (as Buyer and Seller) as it deems appropriate in the circumstances.

### 2B.4.8 1.4.8 US Dollar International Bonds

#### Settlement

(a) : RCMs should avoid in-putting or otherwise giving settlement instructions which would result in settlement taking place on a day which is not a "business day" according to the US Federal Business Calendar. If any such instructions are given or, for any other reason, settlement takes place on any such day, the RCM party to that RepoClear Contract shall be obliged to reimburse the Clearing House (via its PPS account) for any additional costs, charges and expenses incurred by the Clearing House as a result thereof.

#### US Dollar PPS account

(b) : Any RCM wishing to be party to any RepoClear Contract for US Dollar International Bonds must ensure that, prior to registration of any such Contract, it has notified the Clearing House of an appropriate US dollar PPS bank account in London at a PPS Bank through which to receive or make US dollar payments, and has provided the Clearing House with all necessary documentation in respect thereof (including a signed PPS Mandate in the prescribed form – see ~~section~~ Section 1.3.2 of ~~these Procedures~~ Procedure 3 (Financial Transactions)) of these Procedures).

## ~~POSITION ACCOUNTS~~

### 2B.5.1 1.5 Clearing Member Proprietary Accounts and Client Accounts

~~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 house business and C for segregated client business. The H account is obligatory, the C account is optional.~~

#### 1.5.1 Position 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 1.13 (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) Non-Identified Client Omnibus Net Segregated Account;
  - (iii) Identified Client Omnibus Net Segregated Accounts; and/or
  - (iv) 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

### Position-Keeping Accounts

1.6.1 : 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.

### **Clearing Member Accounts**

1.6.2 ~~These are identical to the Accounts as described in Regulation 5. The account types are: H for house business and C for segregated client business. An RCM's~~ 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.

### *RepoClear Accounts*

1.6.3 : The RepoClear system will provide position keeping accounts for RCMs. Each RepoClear Account must map to either ~~the RCM's house or segregated client Clearing Member~~ a RCM's Proprietary Account or a Client Account.

A registered RepoClear Contract or RepoClear 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 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 GC Contracts registered in their name, and the submitting RepoClear Dealer, where applicable.

## ~~FINANCIAL ACCOUNTS~~

### 1.7 Collateral Accounts

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

#### ~~2B.6.1~~1.7.1 Relationship with Position-Keeping Accounts

<del>Trading</del> <u>Position-Keeping</u> Account	<del>Financial</del> <u>Collateral</u> 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.

#### Other ~~Financial~~Accounts

1.7.2 : At the Clearing House's<sup>2</sup> discretion, further ~~financial~~accounts, ~~used only to record financial balances~~, may be opened as follows:

Code

Buffer account (House), used for holding ~~additional cash in~~ relation to House ~~business~~Excess B

Buffer account (~~Client~~House), used for holding ~~additional cash~~ in relation to Client ~~business~~Excess E

~~Resources~~ account, ~~used for holding supplementary financial~~ resources Q

Coupons payable in relation to ~~House~~Proprietary positions O

Coupons payable in relation to Client positions C

### Default Fund (DF) Account

1.7.3 : Each RCM's Default Fund Contribution is held on a separate ~~financial~~ account. In accordance with the Default ~~Fund~~ 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.

## MARGINING

### 1.8 ~~Margining~~ Margin and Collateral

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

(i) 1.8.1 Variation ~~M~~margin

(ii) 1.8.2 Delivery ~~M~~margin

(iii) 1.8.3 Initial ~~M~~margin

These three components are described below. Further detail on the margining 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 on +44 (0)20 7426 6338.

### Variation Margin

1.8.4 : Variation margin represents the change in the net present value (NPV) of a RepoClear Contract or RepoClear GC Contract over a one day period (last RepoClear Opening Day minus current RepoClear Opening Day). All RepoClear Contracts and RepoClear GC Contracts will be marked to market at least daily, in accordance with Regulation ~~15A.24~~ (Settlement and Revaluation: Clearing Process System). Changes in the NPV of RepoClear Contracts and RepoClear 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 GC Contracts, variation margin based on the mark to market calculation, will be calculated for the repo interest only, and ~~will be paid or received~~ 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 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.



*Price Alignment Interest*

(a) : 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 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 ~~received~~obligations or pay interest on cumulative ~~variation margin~~amounts paid.

*Delivery Margin – RepoClear Contracts only*

1.8.5 : Delivery ~~M~~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 ~~M~~margin will be calculated based on cumulative variation margin by delivery. If an RCM is long cumulative ~~Variation Margin~~variation margin on a net settlement position in a security for settlement on day 's-2', it will be called for ~~Delivery Margin~~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-1', it will be called for delivery margin equal to the cumulative variation margin on s-1. Delivery ~~M~~margin will not be called in respect of RepoClear GC Contracts.

*Initial Margin*

1.8.6 : The Clearing House requires RCMs to ~~post transfer Collateral in respect of the~~ initial margin. ~~This amount will be determined by the prevailing market conditions and obligation to the expected time to close out the portfolio. Clearing House.~~ Value ~~at~~At Risk (~~("VAR-")~~) will be used to calculate initial margin requirements for RepoClear Contracts.

~~Accounts are margined on a net basis.~~

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.

*Margin Parameters*

(a) : 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.



### Value at Risk

(b) : For full details of how VAR calculates ~~margins~~ margin requirements, reference should be made to the ~~the~~ VAR technical information package (available from the Clearing House Help Desk +44 (0)20 7426 7200). More general information on VAR (~~including~~ the Clearing ~~House's Margin Simulator and~~ 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 +44(0)20 7426 6338.

### Intra-day Margin Calls

1.8.7 : 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.

## ~~NOTIFICATIONS TO THE CLEARING HOUSE REGARDING ACTIVITIES OF REPOCLEAR DEALERS~~

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

#### *Notification of transferor/transferee capacity*

1.9.1 : Any notification by an RCM authorising a RepoClear Dealer to act as transferor/transferee as set out above in Section ~~2B.1.7, 1.1.8~~ must be made in writing addressed to the Director, Business Operations, and delivered to the Clearing House in accordance with ~~2B.8.6 below.~~ 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.

#### *Termination or suspension of transferor/transferee capacity*

1.9.2 : 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 ~~2B.8.6~~ 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.

*Authorisation of a RepoClear Dealer to trade on an approved Automated Trading System*

1.9.3 : 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 ~~2B.3.1~~ 1.3.1 (Approved Trade Matching Systems (ATMS's) and Automated Trading Systems (ATS's)) above) must do so in writing addressed to the Director, Business Operations. Such written authorisation must be delivered to the Clearing House in accordance with Section ~~2B.8.6~~ 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 ~~Section 2B.8.3~~ 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:

- ~~1.~~ (a) Name of the RCM.
- ~~2.~~ (b) Name of the RepoClear Dealer as it appears on the relevant RepoClear Dealer Clearing Agreement.
- ~~3.~~ (c) Fax number or email address of the RepoClear Dealer to which confirmation of receipt of any notice of termination (see ~~2B.8.4~~ 1.9.4 below) is to be given by the Clearing House.
- ~~4.~~ (d) Name of each ATS on which the RepoClear Dealer is authorised to trade.
- ~~5.~~ (e) Date upon which the RepoClear Dealer may commence to trade on each identified ATS.
- ~~6.~~ (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 2B.8.4~~ Section 1.9.4 (Termination of authorisation to trade on an approved Automated Trading System) below.

*Termination of authorisation to trade on an approved Automated Trading System*

1.9.4 : An authorisation given in accordance with Section ~~2B.8.3~~ 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:

- ~~1.~~ (a) A notice of termination may be given at any time but must be given in writing addressed to the Director, Business Operations, at the Clearing House, in accordance with Section ~~2B.8.6~~ 1.9.6 (Requirements for giving notice) below.
- ~~2.~~ (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.

- ~~3.~~(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 ~~2B.8.3~~[1.9.3 \(Authorisation of a RepoClear Dealer to trade on an approved Automated Trading System\)](#).
- ~~4.~~(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.
- ~~5.~~(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.
- ~~6.~~(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.

#### *Request from an RCM or RepoClear Dealer to trade GC Baskets*

~~1.9.5~~ : 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 2B.8.6~~[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 (~~see Note 1 below~~) before the earliest date referred to in ~~section 2B.8.5(3)~~[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:

- ~~4.~~(a) Name of the RCM or RepoClear Dealer, as the case may be, as it appears on the relevant RepoClear Dealer Clearing Agreement.

- ~~2.~~(b) Fax number or email address of the RCM or RepoClear Dealer to which confirmation of receipt of any notice of termination (see ~~section 2B.8.6~~[Section 1.9.6 \(Requirements for giving notice\)](#) below) is to be given by the Clearing House.
- ~~3.~~(c) Date upon which the RCM or RepoClear Dealer wishes to commence to trade in the relevant Eligible SGC Basket or Eligible €GC Basket, as the case may be.
- ~~4.~~(d) Name of each basket for which permission is sought.
- ~~5.~~(e) Confirmation of applicable settlement arrangements in respect of each Eligible SGC Basket or Eligible €GC Basket, as the case may be, 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.

#### *Requirements for giving notice*

[1.9.6](#) : Where any notification, authorisation or notice is to be given by an RCM under this ~~section 2B.8~~[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, or sent by fax to +44 (0)207 426 7001.

### ~~REPOCLEAR STERLING GENERAL COLLATERAL PRODUCT~~

#### 1.10 RepoClear Sterling General Collateral Product

##### *Introduction*

[1.10.1](#) : This ~~s~~Section sets out additional provisions which apply to Eligible SGC Trades submitted either through an ATMS (~~“RepoClear SGC Transaction”~~) or through an ATS (~~“RepoClear SGC Trade”~~).

### Registration of Eligible SGC Trades

1.10.2 : Details of the SGC Baskets are set out in ~~Part F of the~~ [Schedule Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to ~~the RepoClear Regulations~~time](#).

Upon registration with the Clearing House, an Eligible SGC Trade is managed as a series of linked overnight (with respect to a SGC Day) repos plus a final interest payment – see the [Schedule Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to ~~the RepoClear Regulations~~time](#) for details of the contract terms applicable.

### Netting and Allocation Process

1.10.3 : Following the registration deadline time on each SGC business day, the Clearing House instructs Euroclear UK & Ireland of:

- The net cash position with respect to ~~Repo-Interest~~repo interest due for settlement on the next SGC business day for each RepoClear Participant in respect of all relevant SGC Basket trades to be settled.
- The net position due for settlement on the current business day for each RepoClear Participant in respect of each SGC Basket to be settled. Details of the instructions are made available to the RepoClear Participant via the Clearing Member-only web site.

Allocation of specific securities occurs automatically by means of the DBV process operated by Euroclear UK & Ireland pursuant to its rules and procedures. Securities are allocated by Euroclear UK & Ireland and the Clearing House has no responsibility for such allocation. Equivalent securities to those allocated on the previous SGC business day are automatically returned the next morning. In order to ensure the smooth return of collateral, the RepoClear Participant who receives the allocated securities in the afternoon is not permitted to on-deliver securities received through settlement of SGC Basket positions outside of the Euroclear UK & Ireland DBV service (i.e. the Euroclear UK & Ireland - Free of Payment window).

### Eligibility of Bonds for allocation to Eligible SGC Trades

1.10.4 : Securities eligible for allocation to trades in the SGC Basket ISIN are defined on the Clearing Member-only website. Definition is by reference to a Euroclear UK & Ireland UBG Class. However, if new securities are added to the Euroclear UK & Ireland UBG Class that do not fit the risk profile desired by the Clearing House of the SGC Basket, the Clearing House may exclude such securities from the SGC Basket definition.

Where the Clearing House excludes any such securities, details will be posted on the Clearing House member only website.

## REPOCLEAR EURO GENERAL COLLATERAL PRODUCT

### 1.11 RepoClear Euro General Collateral Product

#### *Introduction*

1.11.1 : This ~~s~~Section sets out additional provisions which apply to Eligible €GC Trades submitted either through an ATMS (~~“(“RepoClear €GC Transaction”)~~) or through an ATS (~~“(“RepoClear €GC Trade”)~~).

#### *Registration of Eligible €GC Trades*

1.11.2 : Details of the €GC Baskets are set out in ~~Part H of the~~ Schedule Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to ~~the RepoClear Regulations~~ time.

Upon registration with the Clearing House, an Eligible €GC Trade is managed as a series of linked overnight (with respect to days on which the RepoClear €GC service operates) repos plus a final interest payment – see the ~~Schedule to the RepoClear Regulations~~ Product Specific Contract Terms and Eligibility Criteria Manual for details of the contract terms applicable.

#### *Process for update of contents of baskets*

1.11.3 : Whilst the criteria which define each of the Eligible €GC Baskets will remain fixed, the countries<sup>2</sup> debt meeting the defined criteria for inclusion in each basket may change from time to time.

Where a new country falls within the definition of Euro Zone Countries, the Clearing House will include that country<sup>2</sup>s debt in the relevant Eligible €GC Baskets based on the eligibility criteria for each Eligible €GC Basket and the Combined Credit Rating for the country.

Where a country ceases to fall within the definition of Euro Zone Countries the Clearing House will remove that country<sup>2</sup>s debt from the Eligible €GC baskets of which it was a constituent.

Where the Combined Credit Rating of a country that falls within the definition of Euro Zone Countries changes the Clearing House will add or remove that country<sup>2</sup>s debt from each of the relevant Eligible €GC Baskets based on the new Combined Credit Rating of that country.

Individual issues of securities (where that issue does not meet the Clearing House<sup>2</sup>s requirements for risk management purposes) may be excluded from Eligible €GC Baskets. Details of these excluded securities will be published on the Clearing House member only website.

#### *Netting and Allocation Process*

1.11.4 : Following the registration deadline on each day on which the RepoClear €GC service operates, the Clearing House instructs for each RepoClear Participant:



- The ~~net~~ cash position(s) with respect to ~~Repo-Interest~~repo interest due for settlement on the subsequent day upon which the RepoClear €GC service operates. These net cash positions are instructed separately for €GC Baskets which settle at different ATAs.
- The net position due for settlement on the next day on which the RepoClear €GC service operates in respect of each €GC Basket to be settled.

Details of the instructions are made available to the participant via the Clearing House member only website.

Allocation of specific securities occurs automatically by means of the Triparty processes operated by the ATAs pursuant to their rules and procedures. Securities are allocated by the ATAs and the Clearing House has no responsibility for such allocation. Equivalent securities to those allocated on the previous €GC business day are returned on the next day on which the RepoClear €GC service operates.

## **DEFAULT MANAGEMENT**

### **1.12 Default Management**

#### **Default Fund: RepoClear Contributions**

1.12.1 : RepoClear Contributions (~~as defined in the Default Fund Rules~~) may be payable in either Euros or Pounds Sterling subject to the terms of this ~~2B.11.1~~Section 1.12. Where a RepoClear Clearing Member has RepoClear Contracts with RepoClear 30% or more of which (determined by value) are denominated in Pounds Sterling, such RepoClear Clearing Member may choose to pay the entirety of their RepoClear Contributions in Pounds Sterling. In all other circumstances the entirety of a RepoClear Clearing Member's RepoClear Contributions must be paid in Euros. All further payments of RepoClear Contributions must be in the same currency as selected by a RepoClear Clearing Member for their first payment of a RepoClear Contribution made by such RepoClear Clearing Member. A RepoClear Clearing Member may not change the currency of their RepoClear Contributions except with the permission of the Clearing House (in its absolute discretion) and in any case with no less than 10 working days (and working days for the purposes of this ~~2B.11~~Section 1.12 shall mean a banking business day for the relevant currency) notice of such request to the Clearing House's Membership Department to the address below:

[membership@lchclearnet.com](mailto:membership@lchclearnet.com)

The Clearing House may (in its absolute discretion) require a change in the currency of a RepoClear Clearing Member's RepoClear Contribution and such change shall be notified with no less than three working days notice.

The Clearing House shall, in making calculations or determining contributions or making payments, apply an available exchange rate between Euros and Pounds Sterling as it selects at its absolute discretion.

*Default Fund: Further Payments of RepoClear Contributions*

1.12.2 : RepoClear Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the RepoClear Contribution under R8 of the Default ~~Fund~~ Rules (each a "~~RepoClear Reset Day~~"). RepoClear Contribution requirements will be notified to RepoClear Clearing Members at least two working days prior to each RepoClear Reset Day.

Excess RepoClear Contribution amounts due to RepoClear Clearing Members following the adjustment to the RepoClear Contribution will be repaid to RepoClear Clearing Members PPS accounts on the RepoClear Reset Day immediately following the adjustment to the RepoClear Contribution.

Interest on RepoClear Contributions will be paid to RepoClear Clearing Members' PPS accounts on the first working day after the RepoClear Reset Day following the end of the relevant "~~interest accrual period~~". Interest is calculated in respect of each "~~interest accrual period~~", which commences on (and includes) a RepoClear Reset Day and ends on (and includes) the calendar day immediately before the next RepoClear Reset Day.

*Loss Distribution Charges*

1.12.3 : Loss Distribution Charges called under R9(b) of the Default ~~Fund~~ Rules shall also be subject to the terms of ~~Procedure 2b.11.2~~ Section 1.12.2 above. All payments of Loss Distribution Charges shall be in the same currency as a RepoClear Clearing Member's RepoClear Contributions.

The Clearing House shall, in making calculations or determining contributions or making payments, apply an available exchange rate between Euros and Pounds Sterling as it selects at its absolute discretion.



**APPENDIX 2B.A****SETTLEMENT TIMETABLE—REPOCLEAR CONTRACT****1.13 RepoClear Client Clearing****1.13.1 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 2 of Procedure 4 (*Margin and Collateral*).

RepoClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

([http://www.lchclearnet.com/repoClear<sup>1</sup>\\_for\\_clients/default.asp](http://www.lchclearnet.com/repoClear<sup>1</sup>_for_clients/default.asp))

**1.13.2 Transfer of RepoClear 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 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 from its Client Account to its Proprietary Account.
- (b) For the purposes of this Section 1.13.2 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.
- (c) A transfer pursuant to this Section 1.13.2 will be subject to receipt by the Clearing House of the following:

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<sup>1</sup>LCH to confirm website address.

- (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 pursuant to this Section 1.13.2; 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 within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a) to (c) above, unless such transfer is contested by the relevant RepoClear Clearing Client.
- (e) In any other circumstance not covered by 1.13.2, a RepoClear Clearing Member may only instruct the Clearing House to transfer a RepoClear 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 to be transferred pursuant to this Section 1.13.2 (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.

1.13.3 Cleared Trade Removal Agreement: RepoClear Contracts may be transferred from a Client Account to the relevant Clearing Member's Proprietary Account in accordance with Section 1.13.2. In the event that a RepoClear Clearing Member wishes to remove a RepoClear Contract submitted through the SWIFT trade source it should complete a Cleared Trade Removal Agreement as set out in Schedule 3 to Section 4 (Margin and Collateral) of the Procedures and a corresponding Cleared Trade Removal Agreement should also be submitted to the Clearing House by the Counterparty Clearing Member (as defined in the Agreement).

Backup Clearing Members: A RepoClear Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the RepoClear Contracts entered into by a RepoClear Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a RepoClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a RepoClear Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a RepoClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that RepoClear Contracts will always be transferred to that Backup Clearing Member. Porting of RepoClear Contracts, following a RepoClear Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.14 Indirect Clearing

1.14.1 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 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 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 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 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**").

1.14.2 Each of the steps referred to in paragraphs 1.14.1 (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: (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 1.14.2; and (ii) in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.14.2 a "**Related RepoClear Contract**" has the same meaning as ascribed to such term in Section 1.13.2 save that, in this Section 1.14.2 the RepoClear Clearing Client is a RepoClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**SCHEDULE 1**  
**SETTLEMENT TIMETABLE – REPOCLEAR CONTRACT**

Austrian, Dutch, Irish, Finnish, German, Portuguese, Slovenian, Slovakian and Spanish Government Debt Securities, Jumbo Pfandbrief Bonds and International Bonds (including US Dollar International Bonds)

This table shows the settlement timetable (London time) for RepoClear Contracts where Austrian, Dutch, Irish, Finnish, German, Portuguese, Slovenian, Slovakian and Spanish Government Debt Securities, German Jumbo Pfandbrief Bonds and International Bonds (including US \$ International Bonds) are to be delivered. RCMs will be informed of changes to these timetables via Clearing Member circular.

▲\* This table applies to RepoClear Dealers where they have been authorised as transferor/transferee by their RCM – see [section 2B.1.7](#) [Section 1.1.8](#).

<b>CLEARSTREAM*</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer ▲*</b>	<b>Clearing House</b>
07:00	ETCMS gateway opens ATS gateway opens	
07:45	Check Fails Report (RREP0011)	RREP0011 updated intraday, with last report at 17:30
09:30	Registration deadline for trades for same day settlement for German market	LCH.Clearnet Limited Netting process begins for same day settlement for German market
10:00	Check German Same Day Detailed Settlement Obligations (RREP0008g) and German Same Day Delivery Settlement Tickets (RREP0009g) reports	Send settlement instructions for same business day settlement for German market
10:30	Registration deadline for trades for same day Settlement for all other EUR markets	LCH.Clearnet Limited Netting Process begins for same day settlement for all other EUR and US\$ markets
11:00	Check Euro Same Day Detailed Settlement Obligations (RREP0008h) and Euro Same Day Delivery Settlement Tickets (RREP0009h) for all other EUR markets	Send settlement instructions for same business day settlement for all other EUR markets
15:00	Registration deadline for trades registration for next business day settlement where settlement is to be instructed on the current business day	Cancellation of unsettled settlement instructions generated in previous netting runs. This process is not applied to Spanish Government Debt Securities

<b>CLEARSTREAM*</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer ▲*</b>	<b>Clearing House</b>
		LCH.Clearnet Limited Netting process begins for overnight settlement
15:30	Check Partial Report (RREP0013)	Confirmation of actions via Partial Report (RREP0013)
By 16:00	Ensure all daylight settlement instructions are settled	
By 16:30		Results of the Netting Process available
16:30	Check Next Day Detailed Settlement Obligations (RREP0008) and Next Day Delivery Settlement Tickets (RREP0009)	Send settlement instructions for next business day settlement
17:00		Partialing process for Spanish Government Debt Securities finishes
17:30	ATS gateway closes	
By 18:00	Ensure all settlement instructions are matched for next business day settlement	
18:00	ETCMS Matching System closes	
18:45	Settlement matching instructions closes	
By 19:00		End of Day processing commences

\*For details of the settlement timetable in Clearstream Frankfurt (CBF), please refer to Clearing House Operations.

All times shown are London time:

<b>EUROCLEAR</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer ▲*</b>	<b>Clearing House</b>
07:00		ETCMS gateway opens ATS gateway opens
07:45	Check Fails Report (RREP0011)	RREP0011 updated intraday, with last report at 17:30

<b>EUROCLEAR</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer ▲*</b>	<b>Clearing House</b>
09:30	Registration deadline for trades for same day Settlement for German market	LCH.Clearnet Limited Netting process begins for same day settlement for German market
10:00	Check same day Detailed Settlement Obligation (RREP0008g) and same day Delivery Settlement Tickets (RREP0009g) for German market	Send settlement instructions for same business day settlement for German market
10:30	Registration deadline for trades for same day settlement for all other EUR markets	LCH.Clearnet Limited Netting process begins for same day settlement for all other EUR and US\$ markets
11:00	Check same day Detailed Settlement Obligations (RREP0008h) and same day Delivery Settlement Tickets (RREP0009h) for all other EUR markets	Send settlement instructions for same business day settlement for all other EUR markets
15:00	Registration deadline for trades for next business day settlement where settlement is to be instructed on the current business day	Cancellation of unsettled settlement instructions generated in previous netting runs - this process is not applied to Spanish Government Debt Securities  LCH.Clearnet Limited Netting process begins for overnight settlement
15:30	Check Partial Report (RREP0013)	Confirmation of actions via Partial Report (RREP0013)
By 16:00	Ensure all real-time settlement instructions are settled	
16:00		Confirmation of action on fails and partials
By 16:30		Results of the Netting Process available
16:30	Check Next Day Detailed Settlement Obligations (RREP0008) and Next Day Delivery Settlement Tickets (RREP0009)	Send settlement instructions for next business day settlement
17:00		Partialing process for Spanish Government Debt Securities finishes
17:30	ATS gateway closes	

EUROCLEAR		
Time	RCM or RepoClear Dealer ▲*	Clearing House
By 18:00	Ensure all settlement instructions are matched for next business day settlement	
18:00	ETCMS Matching System closes	
18:45	Settlement matching instructions closes	
By 19:00		End of Day processing commences

Members should note that settlement of US Dollar International Bonds should not occur on a day which is not a "business day" in the US Federal Business Day Calendar – see ~~section 2B.4.8~~ [Section 1.4.8 \(US Dollar International Bonds\)](#).



**APPENDIX 2B.B**

**SETTLEMENT TIMETABLE — REPOCLEAR CONTRACTS**

**SCHEDULE 2**  
**SETTLEMENT TIMETABLE – REPOCLEAR CONTRACTS**

Belgian Government Debt Securities

This table shows the settlement timetable (London time) for RepoClear Contracts where Belgian 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 2B.1.7](#). [Section 1.1.8](#).

<b>KBC BANK/NATIONAL BANK <del>OF BELGIUM</del><u>OF BELGIUM</u></b>		
<b>Time</b>	<b>RCM or RepoClear Dealer ▲*</b>	<b>Clearing House</b>
07:00	ETCMS gateway opens ATS gateway opens	
10:00	First National Bank of Belgium settlement cycle	
10:30	Review fails report (RREP0011)	Confirmation of unsettled 1st cycle settlement obligations
10:30	Registration deadline for trades for same day settlement for the Belgian market	LCH.Clearnet Limited Netting process begins for same day settlement for Belgian market
11:00	Check Same Day Detailed Settlement Obligations (RREP0008h) and same day Delivery Settlement Tickets (RREP0009h) for Belgian market	Send Settlement instructions for same business day settlement for Belgian markets
15:00	Registration deadline for trade registration for next business day settlement where settlement is to be instructed on the current business day ( <b>←("Overnight Cut Off Time"→)</b> )	
By 16:30		Results of the Netting Process available
16:30	Check Next Day Settlement Obligations (RREP0008b) and Next Day Delivery Settlement Tickets	
16:30	Final National Bank of Belgium settlement cycle	
16:30	Review fails report (RREP0011)  Settlement pre-matching deadline at National Bank of Belgium closes	
17:30	ATS gateway closes	
18:00	ETCMS Matching System closes	

KBC BANK/NATIONAL BANK <del>OF BELGIUM</del> <u>OF BELGIUM</u>		
Time	RCM or RepoClear Dealer ▲*	Clearing House
By 19:00		End of Day processing commences

**APPENDIX 2B.C**

**SETTLEMENT TIMETABLE – REPOCLEAR CONTRACTS**

**SCHEDULE 3**  
**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 2B.1.7](#). [Section 1.1.8](#).

<b>Euroclear UK &amp; Ireland*</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer *</b>	<b>Clearing House</b>
07:00	ETCMS gateway opens ATS gateway opens	
11:30	ATS and ETCMS deadline for trade registration for same business day settlement	
11:30		LCH.Clearnet Limited Gilt Netting process begins
By 12:30	Result of netting process available	
From 13:30		Where necessary, process partial settlement of instructions
14:55	Gilt DVP – end of settlement window	
From 14:55 to 16:40	Match free of payment transactions (as advised by LCH.Clearnet Limited)	Advise participants of free of payment transactions.  Call payment for Free of Payment transactions via PPS accounts.  Create free of payment settlement instructions
16:00 to 16:50	Free of payment instructions settle	
17:30	ATS gateway closes	
18:00	ETCMS matching system closes	
by 19:00		End of Day processing commences

**APPENDIX 2B.D**

**SETTLEMENT TIMETABLE - REPOCLEAR SGC CONTRACTS**

**SCHEDULE 4**  
**SETTLEMENT TIMETABLE – REPOCLEAR SGC CONTRACTS**

Sterling GC

This table shows the settlement timetable (London time) for RepoClear SGC Contracts which are settled using the Euroclear UK & Ireland 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 2B.1.7](#). [Section 1.1.8](#).

<b>Euroclear UK &amp; Ireland</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer *</b>	<b>Clearing House</b>
07:00	ETCMS gateway opens ATS gateway opens	
From 07:00 to 15:00	DBV Returns settle DBV 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 DBV settlement instructions to Euroclear UK & Ireland for same business day settlement  Send interest-only settlement instructions to Euroclear UK & Ireland for action next business day (cash-only DELs)
From 15:00	Review Detailed Settlement Obligations (RREP0008e) and Delivery Settlement Tickets (RREP0009e)	
From 15:00 to 16:10	DBV instructions settle and generate DBV Return instructions for the next business day	
From 15:40	Member to match partial settlement instructions	Highlight to participants details of any unmatched settlement instructions that require partialling
By 16:02		Where necessary, complete matching of partial settlement instructions.
17:30	ATS gateway closes	
18:00	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



**APPENDIX 2B.E**

**SETTLEMENT TIMETABLE – REPOCLEAR €GC CONTRACTS**

**SCHEDULE 5**  
**SETTLEMENT TIMETABLE – REPOCLEAR €GC CONTRACTS**

€GC

This table shows the settlement timetable (London time) for RepoClear €GC Contracts which are settled using the Triparty services of ATAs. 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 2B.1.7](#). [Section 1.1.8](#).

<b>Triparty Agents</b>		
<b>Time</b>	<b>RCM or RepoClear Dealer *</b>	<b>Clearing House</b>
07:00	ETCMS gateway opens ATS gateway opens	
10:30	ATS and ETCMS deadline for trade registration for same business day settlement	
From 10:45	Review Detailed Settlement Obligations (RREP0008f) and Delivery Settlement Tickets (RREP0009f)	Send triparty settlement instructions to ATAs for Settlement.  Send cash only settlement instructions to ATAs for next day settlement (cash-only transactions relating to repo interest payments).
From 11:00	Triparty settlement of instructions by ATAs commences	
-17:30	ATS gateway closes	
18:00	ETCMS gateway closes	
18:00	Allocation processes at Triparty agents complete for current day settlement value	
by 19:00		End of Day processing commences
21:00	Intra-day margin calls based on allocated collateral (may be made against US based US\$ PPS accounts) completed	

**SECTION 2C**

**CONTENTS**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>2C.— SWAPCLEAR.....</del>	<del>1</del>
<del>2C.1— THE CLEARING PROCESS.....</del>	<del>1</del>
<del>2C.2— OPERATING TIMES AND CALENDARS.....</del>	<del>2</del>
<del>2C.3— Registration.....</del>	<del>3</del>
<del>2C.4— Position Accounts.....</del>	<del>10</del>
<del>2C.5— Financial Accounts.....</del>	<del>11</del>
<del>2C.6— VARIATION MARGIN.....</del>	<del>12</del>
<del>2C.7— COUPON PAYMENTS.....</del>	<del>14</del>
<del>2C.8— Initial Margin.....</del>	<del>25</del>
<del>2C.9— INTRA-DAY MARGIN CALL: COLLATERAL MANAGEMENT.....</del>	<del>26</del>
<del>2C.10— TRansfer of Swapeclear Contracts between client accounts and proprietary accounts.....</del>	<del>29</del>
<del>2C.11— POSITION TRANSFERS.....</del>	<del>31</del>
<del>2C.12— [RESERVED].....</del>	<del>31</del>
<del>2C.13— AMENDMENT OF TRADE REFERENCES.....</del>	<del>31</del>
<del>2C.14— Trade Reference Amendment Request Form.....</del>	<del>31</del>
<del>2C.15— SWAPCLEAR CLIENT CLEARING.....</del>	<del>33</del>
<del>2C.16— EARLY TERMINATION EVENTS.....</del>	<del>38</del>
<del>2C.17— TERMINATION OF SWAPCLEAR CLEARING MEMBER AND SWAPCLEAR DEALER STATUS.....</del>	<del>38</del>
<del>2C.18— PAYMENT OF STAMP TAX.....</del>	<del>39</del>
<del>2C.19— SECTION 168, FINANCE ACT 1994.....</del>	<del>39</del>
<del>2C.20— DEFAULT MANAGEMENT.....</del>	<del>40</del>
<del>APPENDIX 2C.A.....</del>	<del>44</del>
<del>SWAPCLEAR PROCESSING SCHEDULE—</del>	<del>44</del>
<del>APPENDIX 2C.B.....</del>	<del>45</del>
<del>INTRA-DAY COLLATERAL LODGEMENT FORM</del>	<del>45</del>
<del>APPENDIX 2C.c.....</del>	<del>47</del>
<del>INTRA-DAY HOUSE NON-CASH EXCESS TRANSFER FORM—</del>	<del>47</del>
<del>APPENDIX 2C.d.....</del>	<del>48</del>
<del>INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM—</del>	<del>48</del>
<del>APPENDIX 2C.e.....</del>	<del>49</del>
<del>ADDITIONAL COLLATERAL ACCOUNT LODGEMENT FORM—</del>	<del>49</del>
<del>APPENDIX 2C.f.....</del>	<del>51</del>
<del>INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT NON-CASH TRANSFER FORM—</del>	<del>51</del>

<del>APPENDIX 2C.g</del> .....	<del>53</del>
<del>INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT CASH TRANSFER FORM</del> <del>—53</del>	
<del>APPENDIX 2C.h</del> .....	<del>54</del>
<del>ADDITIONAL COLLATERAL ACCOUNT SPREADSHEET</del> ——	<del>54</del>
<del>APPENDIX 2C.I</del> .....	<del>55</del>
<del>CLEARING DEED OF ASSIGNMENT</del> ——	<del>55</del>
<del>APPENDIX 2C.J</del> .....	<del>65</del>
<del>CLEARING DEED OF ASSIGNMENT</del> ——	<del>65</del>
<del>APPENDIX 2C.k1</del> .....	<del>80</del>
<del>SWAPCLEAR CLEARING CLIENT—PARTIAL TRANSFER FORM</del> ——	<del>80</del>
<del>APPENDIX 2C.K2</del> .....	<del>82</del>
<del>SWAPCLEAR CLEARING CLIENT—FULL TRANSFER FORM</del> ——	<del>82</del>
<del>APPENDIX 2C.K3</del> .....	<del>84</del>
<del>SWAPCLEAR CLEARING CLIENT TRANSFER—CARRYING CLEARING</del> <del>MEMBER REPOSE FORM</del> ——	<del>84</del>
<del>APPENDIX 2C.L</del> .....	<del>86</del>
<del>CLEARING HOUSE PRESCRIBED LANGUAGE</del> ——	<del>86</del>
<del>APPENDIX 2C.M</del> .....	<del>89</del>
<del>CLEARED TRADE REMOVAL AGREEMENT</del> ——	<del>89</del>
<del>APPENDIX 2C.N</del> .....	<del>94</del>
<del>CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE</del> <del>DEFAULT MANAGEMENT GROUP</del> ——	<del>94</del>
<u>1. Swapclear Clearing Service</u> .....	<u>1</u>
<u>1.1 The Clearing Process</u> .....	<u>1</u>
<u>1.2 Operating Times and Calendars</u> .....	<u>3</u>
<u>1.3 Registration</u> .....	<u>3</u>
<u>1.4 Proprietary Accounts and Client Accounts</u> .....	<u>13</u>
<u>1.5 Position Accounts</u> .....	<u>14</u>
<u>1.6 Collateral Accounts</u> .....	<u>15</u>
<u>1.7 Variation Margin</u> .....	<u>15</u>
<u>1.8 Coupon Payments</u> .....	<u>18</u>
<u>1.9 Initial Margin</u> .....	<u>32</u>
<u>1.10 Tenor Basis Risk Margin Add-on</u> .....	<u>34</u>
<u>1.11 Intra-Day Margin Call: Collateral Management</u> .....	<u>34</u>
<u>1.12 Price Alignment Interest (PAI) Rate</u> .....	<u>34</u>
<u>1.13 Transfer of SwapClear Contracts between Client Accounts and Proprietary</u> <u>Accounts</u> .....	<u>34</u>
<u>1.14 Indirect Clearing</u> .....	<u>35</u>
<u>1.15 Position Transfers</u> .....	<u>37</u>
<u>1.16 [Reserved]</u> .....	<u>38</u>

<u>1.17</u>	<u>Cleared Trade Removal Agreement .....</u>	<u>38</u>
<u>1.18</u>	<u>Amendment of Trade References .....</u>	<u>38</u>
<u>1.19</u>	<u>Trade Reference Amendment Request Form .....</u>	<u>38</u>
<u>1.20</u>	<u>SwapClear Client Clearing .....</u>	<u>40</u>
<u>1.21</u>	<u>Early Termination Events .....</u>	<u>47</u>
<u>1.22</u>	<u>Termination of SwapClear Dealer Status .....</u>	<u>48</u>
<u>1.23</u>	<u>Payment of Stamp Tax .....</u>	<u>48</u>
<u>1.24</u>	<u>Section 168, Finance Act 1994 .....</u>	<u>48</u>
<u>1.25</u>	<u>Default Management .....</u>	<u>49</u>
<u>1.26</u>	<u>Provision of Tax Forms .....</u>	<u>53</u>
	<u>Schedule 1 Swapclear Processing Schedule .....</u>	<u>55</u>
	<u>Schedule 2 Swapclear Clearing Client – Partial Transfer Form .....</u>	<u>56</u>
	<u>Schedule 3 Swapclear Clearing Client – Full Transfer Form .....</u>	<u>59</u>
	<u>Schedule 4 Swapclear Clearing Client Transfer – Carrying Clearing Member Response Form .....</u>	<u>62</u>
	<u>Schedule 5 Confidentiality, Non-Disclosure and Participation in the Default Management Group .....</u>	<u>64</u>

~~SWAPCLEAR~~

~~THE CLEARING PROCESS~~

## 1. SWAPCLEAR CLEARING SERVICE

### 1.1 The Clearing Process

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

Those authorised by the Clearing House to submit trades for clearing in the SwapClear Service fall into two categories – SwapClear Clearing Members (SCMs) and SwapClear Dealers (SDs). SCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SDs are not clearing members but have met the criteria for registration as a SwapClear Dealer and have entered into a SwapClear Dealer Clearing Agreement with an SCM and the Clearing House. –Subject to obtaining approval from the Clearing House’s Membership Department an SCM may offer certain SwapClear Client Clearing Services to its clients (SwapClear Clearing Clients).– SwapClear Client Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated Account or an Omnibus ~~Net~~-Segregated Account. SCMs should contact the Clearing House’s Membership Department for further details of the SwapClear Client Clearing Service and the Clearing House’s approval process (+44 (0)20 7426 7949; membership@lhcclearn.net).

Only SwapClear Clearing Members are authorised by the Clearing House to submit trades for clearing in the SwapClear Clearing System.

An SCM Branch must always be the same legal entity as the SCM and, subject to authorisation by the Clearing House, it may present SwapClear Transactions to the Clearing House, for registration as SwapClear Contracts in the name of the SCM, using its own BIC code.

Therefore, where a SwapClear Transaction is presented for clearing by an SCM Branch, it is deemed to have been presented by, and in the name of, the SCM of which it is part for registration.

#### ~~2C.1.4~~1.1.1 *SwapClear Service Functions*

The following functions are performed within the SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of MER requirements and SwapClear Tolerance Limits;
- (e) calculation of ~~Price Alignment Interest~~price alignment interest;
- (f) adjustment of cash payments to conform with ~~Opening Days~~opening days and the SwapClear ~~C~~e calendars;
- (g) allocation and designation of trades to a position-keeping account; and



(h) reporting of registered trades.

SwapClear Transactions presented via an Approved Trade Source System (i.e. new trades presented for intra-day registration or existing trades presented for overnight registration) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the SwapClear clearing system. Information regarding SwapClear Contracts and margin reporting will be disseminated via the SwapClear Clearing Member reporting system (see ~~section 2C.1.3~~ [Section 1.1.3](#)).

#### ~~2C.1.2~~ [1.1.2](#) *Clearing House System Requirements*

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

#### ~~2C.1.3~~ [1.1.3](#) *SwapClear Clearing Member Reporting System*

The Clearing House has various arrangements for the notification to SCMs of SwapClear Contract registrations and other information. -These make use of systems including the following:

#### ~~Report-001~~

(a) [Clearing Member reports.](#)

(b) [Approved Trade Source Systems.](#)

(c) [The ~~SwapClear~~ ClearLink API.](#)

An end-user report generation and analytical capability is provided by the Clearing House to SCMs. All SwapClear reports will be disseminated via the Clearing House's secure password access 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 Approved Trade Source System.

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

### ~~OPERATING TIMES AND CALENDARS~~

#### [1.1.4](#) *Clearing House Reporting*

[The Clearing House \(acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation\) shall report to a trade repository or similar body the details of a SwapClear Contract and any](#)

modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.

## 1.2 Operating Times and Calendars

### ~~2C.2.1~~1.2.1 *Opening Days*

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

### ~~2C.2.2~~1.2.2 *Opening Hours*

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

07:30 ~~to 24:00~~ London ~~time~~Time to 19:00 New York Time

However, SwapClear Clearing Members should note that Necessary Consents in relation to a Notification submitted during a business day shall be accepted by the Clearing House until 00.01. The Clearing House will notify SwapClear Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

### ~~2C.2.3~~1.2.3 *SwapClear Clearing System Calendars*

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. ~~The~~ calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see ~~s~~Section 2C.1.31.1.3).

## ~~2C.3~~1.3 **Registration**

### ~~2C.3.1~~1.3.1 *Executing Parties and Presentation for Clearing*

A SwapClear Transaction may be entered into by and presented for clearing by (or on behalf of), any of the following parties: (1) SwapClear Clearing Members (or the SCM ~~Branches of one~~Branch of any such a SwapClear Clearing Member~~s~~); (2) SwapClear Dealers; (3) SwapClear Clearing Clients; and (4) FCM SwapClear Members.

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

third party to present details of a SwapClear Transaction to the Clearing House on its behalf.

~~2C-3-2~~1.3.2 *Clearing House Notification*

In the case of a SwapClear Clearing Member which has been nominated to register a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer, the Clearing House will (only where such SwapClear Transaction is not a US Trading Venue Transaction) provide notification to such SwapClear Clearing Member of the relevant SwapClear Transaction and that it has been so nominated, via member reports, the ~~SwapClear~~ClearLink API or otherwise (the ~~“Notification”~~”). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of ~~a~~a SwapClear Transaction (whether for itself or a third party Executing Party) in the capacities described in this paragraph, such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction. In all other cases, no Notification will be provided to any SwapClear Clearing Member.

In respect of a SwapClear Transaction that is not a US Trading Venue Transaction, following receipt of a Notification, a SwapClear Clearing Member may choose to grant or refuse consent to register the SwapClear Transaction. It is a condition for registration of such a SwapClear Transaction that a SwapClear Clearing Member grants a separate consent (each a ~~“Necessary Consent”~~”) in respect of each Notification received by it in relation to the registration of such SwapClear Transaction. The Clearing House has an automated system which it operates on each business day (currently at or around 8 pm (London time)) for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any Necessary Consent has not been notified to the Clearing House prior to the LCH Cut-off Time. The ~~“LCH Cut-off Time”~~ in respect of a SwapClear Transaction will be the time on the business day following the day when the relevant SwapClear Transaction was presented for clearing at which the reject system is operated by the Clearing House and the relevant SwapClear Transaction is itself rejected by such system. If a SwapClear Clearing Member has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant SwapClear Transaction. Any Necessary Consent of a SwapClear Transaction notified by a SwapClear Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a SwapClear Clearing Member to the Clearing House after the LCH Cut-off Time shall be invalid.

In circumstances where the registration of a SwapClear Transaction is conditional upon one or more Necessary Consent(s) being notified by the applicable SwapClear Clearing Member(s), the relevant SwapClear Transaction shall be deemed to have been ~~“submitted”~~ to the Clearing House by each such SwapClear Clearing Member at the time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a SwapClear Transaction shall be ~~“submitted”~~ to the Clearing House by the

applicable SwapClear Clearing Member upon being presented to the Clearing House for clearing by or on behalf of such SwapClear Clearing Member (or its SCM Branch) or by or on behalf of a SwapClear Dealer (acting in such capacity with respect to the relevant SwapClear Transaction) approved to clear SwapClear Transactions through the relevant SwapClear Clearing Member.

In accordance with Section ~~2C-3.5~~1.3.5 of these Procedures, it is a precondition for the registration of a SwapClear Contract that the applicable SwapClear Clearing Member has complied with all requirements to provide sufficient Collateral (taking into account MER and/or SwapClear Tolerance, if any) to the Clearing House as of the time of "submission" or "deemed submission" of the SwapClear Transaction to which the SwapClear Contract relates, except that such Collateral shall be required to be provided prior to registration as a condition thereto only if such SwapClear Transaction is a Block IRS Trade. For the avoidance of doubt, in respect of the registration of a SwapClear Transaction that is a Block IRS Trade, both SwapClear Clearing Members or the relevant SwapClear Clearing Member and FCM Clearing Member must have complied with all requirements to provide sufficient Collateral (taking into account MER and/or SwapClear Tolerance, if any) at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable).

~~2C-3.3~~1.3.3 *Trade Registration Facilitation: SwapClear Tolerance and MER (Minimum Excess Requirement)*

In order to facilitate the registration of SwapClear Contracts by SwapClear Clearing Members, the Clearing House may require the transfer to the Clearing House of additional Collateral from those SwapClear Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may provide SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including a SwapClear Clearing Member's credit rating, risk profile, an analysis of the incremental risk registered by a SwapClear Clearing Member during a historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to a SwapClear Clearing Member, whether the SwapClear Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary them across different SwapClear Clearing Members.

*SwapClear Tolerance*

If a SwapClear Clearing Member has not transferred sufficient Collateral (taking into account any delivered with respect to MER) to the Clearing House to enable the registration of a SwapClear Contract, then the Clearing House may provide such SwapClear Clearing Member with temporary "tolerance" in

the form of initial margin forbearance (“**SwapClear Tolerance**”) to enable such registration. A SwapClear Clearing Member may utilise SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the Collateral that would have been required to cover that SwapClear Clearing Member’s initial margin requirements for newly registered SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary initial margin forbearance and a SwapClear Clearing Member’s utilisation of SwapClear Tolerance does not give rise to any payment or transfer of eCollateral by the Clearing House or result in any use of default fund resources (except following a Default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the "SwapClear Tolerance Limit") which it will make available to a SwapClear Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to a SwapClear Clearing Member at the Clearing House's sole discretion. The Clearing House may adjust the value of a SwapClear Clearing Member's SwapClear Tolerance Limit, and/or require a SwapClear Clearing Member to transfer Collateral ~~in respect of its initial margin obligations~~ to the Clearing House Collateral in respect of any utilised SwapClear Tolerance, at any time and without prior notice to the relevant SwapClear Clearing Member. The Clearing House will provide each SwapClear Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, a SwapClear Clearing Member will typically be required to transfer Collateral to the Clearing House in respect of any SwapClear Tolerance utilised by it in the margin run immediately following the time of the relevant registration of a SwapClear Contract where SwapClear Tolerance was utilised.

Any failure of a SwapClear Clearing Member to satisfy ~~an initial margin~~ call for Collateral relating to SwapClear Tolerance may give rise to a Default by such SwapClear Clearing Member, just as any failure by a SwapClear Clearing Member to satisfy any other ~~type of initial margin~~ call for Collateral may give rise to a Default.

#### *Minimum Excess Requirement (“MER”)*

The Clearing House has put in place arrangements (the "MER Arrangements") (which will be optional for SwapClear Clearing Members) under which it will be able to call from each relevant SwapClear Clearing Member an amount of Collateral (the “MER Cover”) in respect of that SwapClear Clearing Member’s potential margin requirements (with respect to the registration of SwapClear Contracts) for the following day.

The Clearing House will calculate MER for each SwapClear Clearing Member using the same methodology and will publish such methodology to SwapClear Clearing Members. The Clearing House will provide 30 days’ notice before implementing any changes to the methodology used for calculating MER.

SwapClear Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that a SwapClear Clearing Member wishes to change its participation status (the "Participation Status") from opting in to the MER Arrangements to opting out or vice versa it should contact the Clearing House to request applicable documentation (swapclear.clientservices@lchclearnet.com). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. A SwapClear Clearing Member's Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of a SwapClear Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such SwapClear Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Any MER Cover delivered by a SwapClear Clearing Member will form part of the Clearing Member Current Collateral Balance ~~in respect~~ of that SwapClear Clearing ~~Member's initial margin obligations~~ Member. SwapClear Clearing Members participating in the MER Arrangements will be called for MER Cover separately in respect of their Proprietary Account related to SwapClear Clearing House Business and/or their ~~client account~~ Client Account related to SwapClear Client Clearing-~~Client~~ Business. However, such MER Cover will not be regarded as Required Collateral, or form part of any Account Balance or be deemed to form part of the ~~Clearing Member~~ Clearing Member Current Collateral Balance in respect of any SwapClear Clearing Client, of any Individual Segregated Account or Omnibus Net Segregated Account unless such MER Cover has been attributed to any such account by the Clearing House in accordance with this section.

For the avoidance of doubt, failure to deliver MER Cover when required by the Clearing House will constitute a breach of these Procedures and the Regulations.

In relation to the registration of a SwapClear Contract on behalf of a SwapClear Clearing Client, the Clearing House shall determine if there is sufficient Collateral to enable such registration. If the SwapClear Clearing Member ~~does~~ has not ~~have~~ transferred sufficient Collateral to the Clearing Member to enable the registration of such SwapClear Contract, the Clearing House will determine whether there is any unutilised MER Cover related to SwapClear Client Clearing-~~Client~~ Business and, if so, will attribute the relevant part of such MER Cover to the relevant Individual Segregated Account or Omnibus Net Segregated Account. In this context, the attribution of the MER Cover to the relevant Individual Segregated Account or Omnibus Net Segregated Account means that it will be recorded as ~~initial margin~~ Collateral held in relation to such account and shall be treated as part of the Account Balance of such account.



At each end of day margin run, the Clearing House will recalculate and call, on an account by account basis, required ~~margin~~Collateral in respect of the MER requirements of each SwapClear Clearing Member currently participating in the MER Arrangements.

In accordance with Section 1.3.5 of these Procedures, it is a condition for registration of a SwapClear Contract that the applicable SwapClear Clearing Member transfers sufficient Collateral to the Clearing House in respect of such SwapClear Contract prior to registration.

~~2C.3.4~~1.3.4 *Approved Trade Source Systems and US Trading Venues*

~~2C.3.4.1~~(a) *Approved Trade Source Systems*

~~Currently,~~Application for approved trade source system status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Approved Trade Source Systems ~~designated currently approved~~ by the Clearing House ~~for SwapClear are MarkitWire, Bloomberg, Javelin, SwapEx, TeraExchange, Tradeweb and TrueEx~~is available on the Clearing House's website. Where the Clearing House approves additional Approved Trade Source Systems, it will notify SwapClear Clearing Members via a member circular.

SwapClear Transactions presented through an Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Approved Trade Source System.

The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an ~~"as is"~~"as is<sup>22</sup>" basis and, subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and approved by the relevant SwapClear Clearing Member. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House or to a SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any SwapClear Contract on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System and consented to (where applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract.

The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

SwapClear Clearing Members shall ensure that Necessary Consents are provided by appropriately authorised personnel. Apart from in respect of Necessary Consents, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any SwapClear Clearing Member suffers any loss through the unauthorised granting of a Necessary Consent.

#### 2C.3.4.2(b) US Trading Venues

While the Clearing House receives details of a SwapClear Transaction via an Approved Trade Source System pursuant to section ~~2C.3.4.1.3.1~~ of these Procedures, such Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by a US Trading Venue (where such SwapClear Transaction is executed on such US Trading Venue). Additionally, the Clearing House may rely on details relating to a SwapClear Transaction obtained from a US Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation ~~47.55~~ (*Registration of SwapClear Contracts*). In this regard, the Clearing House may direct the US Trading Venues to use prescribed format messages or classifications.

Notwithstanding the approval by the Clearing House of any US Trading Venue, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any US Trading Venue or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that US Trading Venue to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that US Trading Venue.

The Clearing House will process any SwapClear Transaction reported to it by a US Trading Venue on an “as is” basis and, subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and the relevant US Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the US Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by a US Trading Venue to the Clearing House or to a SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any SwapClear Contract on the basis of incorrect or corrupted data sent to it by a



US Trading Venue and accepted (whether automatically or manually, as applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

~~2C.3.5~~1.3.5 *Registration of New Trades*

The following section does not apply to Backloaded Trades, which are dealt with in section ~~2C.3.6~~1.3.6 below.

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction that is a Block IRS Trade, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to transfer to the Clearing House adequate Collateral in respect of initial and variation margin requirements relating to such contract as a precondition to registration (taking into account any MER and/or SwapClear Tolerance, if any). -In accordance with Regulation ~~47~~55(d)(iv) (*Registration of SwapClear Contracts*), a SwapClear Clearing Member becomes obligated to transfer such Collateral (taking into account any MER and/or SwapClear Tolerance, if any) to the Clearing House at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction that is a Block IRS Trade have been submitted or deemed to be submitted (as applicable) by the relevant SwapClear Clearing Member(s) or the relevant SwapClear Clearing Member and FCM Clearing Member (as the case may be) and such SwapClear Clearing Member(s) or such SwapClear Clearing Member and such FCM Clearing Member shall transfer such Collateral to the Clearing House prior to registration upon request of the Clearing House.- In respect of a SwapClear Contract resulting from a SwapClear Transaction that is not a Block IRS Trade, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall transfer to the Clearing House sufficient Collateral in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing, (i) if the Clearing House registers a Block IRS Trade where one or both of the relevant SwapClear Clearing Members has not provided sufficient Collateral prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 47 (and in particular by paragraphs (c), (h) and (i) thereof) and any other applicable provision of the Rulebook; and (ii) if the Clearing House rejects a SwapClear Transaction that is not a Block IRS Trade for reasons of insufficient Collateral, the Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member in re-registering the SwapClear Transaction on the correct basis but the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation [4755 \(Registration of SwapClear Contracts\)](#) having been satisfied in respect of the related SwapClear Contract(s), the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see [section 2C.1.3\)Section 1.1.3\)](#) on the SwapClear Clearing Member reporting account.

#### [2C.3.61.3.6](#) Backloading of Existing Trades

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a **Backloaded Trade** (a "**Backloaded Trade**"). Due to the nature of Backloaded Trades, SwapClear Clearing Members should note that a relatively large amount of Collateral is required to register such trades. The Clearing House provides the facility for SwapClear Clearing Members to load such eligible existing SwapClear Transactions, through an Approved Trade Source System (currently, MarkitWire, Bloomberg and Tradeweb). Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify SwapClear Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) of the full particulars required by the Clearing House for each such SwapClear Transaction.

At least once every Business Day, the Clearing House will carry out a process ([each a "Backload Registration Cycle"](#)) for the registration of Backloaded Trades (~~each a "Backload Registration Cycle"~~) which have been presented for clearing or with respect to which the Clearing House has received the one or more Necessary Consents, if any. Following each Backload Registration Cycle, the Clearing House will calculate the increase in ~~incremental cover~~ [Collateral](#) required to register the Backloaded Trade(s) and will notify each relevant SwapClear Clearing Member (the ~~"Backload Margin Call"~~). The Backload Margin Call will be for the entire amount of ~~incremental cover~~ [additional Collateral](#) required in connection with the Backloaded Trade(s), and the Backload Margin Call cannot be satisfied by and will not take into account SwapClear Tolerance (i.e., SwapClear Tolerance is not available for this purpose), or any available MER Cover or any form of excess ~~cover~~ [Collateral](#) (other than that which has been expressly allocated for that purpose, as described in the paragraph below). In connection with a Backload Margin Call, following the time that a SwapClear Clearing Member is required to deliver to the Clearing House the ~~cover~~ [Collateral](#) associated with such Backload Margin Call (the ~~"Backload Margin Call Deadline"~~), the Clearing House will issue such SwapClear Clearing Member a subsequent margin call to deliver ~~cover~~ [Collateral](#) in respect of any increase in SwapClear

Tolerance utilisation as of the time of the Backload Margin Call Deadline (if any).

Where an individual SwapClear Clearing Member determines that the Backloaded Trade(s) that it is submitting for registration will lead to an aggregate change (be it either an increase or decrease) in the net present value of its portfolio of SwapClear Contracts in excess of a threshold amount (the **“Individual Backload Value Threshold”**) as published by the Clearing House from time to time, it shall notify the Clearing House before the end of the Business Day preceding the relevant Backload Registration Cycle. In the event that the Clearing House does not receive such notification and the change in net present value of the SwapClear Clearing Member’s portfolio of SwapClear Contracts is in excess of the Individual Backload Value Threshold the Clearing House may, in its sole discretion, exclude that SwapClear Clearing Member from the Backload Registration Cycle or postpone or cancel the entire Backload Registration Cycle.

Where a SwapClear Clearing Member notifies the Clearing House of a change in net present value in excess of the Individual Backload Value Threshold, the Clearing House shall inform the SwapClear Clearing Member whether it will be required to pre-fund the Backload Margin Call and, if so, how **Collateral** should be delivered such that it will be made available for a Backload Registration Cycle.

In the event that the aggregate Backload Margin Call required from all SwapClear Clearing Members participating in a Backload Registration Cycle is in excess of a pre-determined threshold amount (the **“Aggregate Backload Margin Threshold”**) as published by the Clearing House from time to time, the Clearing House may postpone or cancel the relevant Backload Registration Cycle.

Where the Clearing House postpones or cancels a Backload Registration Cycle it shall notify those SwapClear Clearing Members that were intending to participate in the Backload Registration Cycle.

Backloaded Trades received by the Clearing House in advance of a Backload Registration Cycle will be ‘parked’ until the next Backload Registration Cycle (whether that Backload Registration Cycle is on the same Business Day or the following Business Day).

In order for the registration of the Backloaded Trades included in a Backload Registration Cycle to complete, ~~cover for margin from~~ each SwapClear Clearing Member (and each FCM Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must ~~be provided~~ provide sufficient Collateral as required to the Clearing House in advance.

A Backloaded Trade which has been presented for clearing (or with respect to which the Clearing House has received the one or more Necessary Consents, if any) shall be deemed to have been submitted by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing

Member (as the case may be) for registration by the Clearing ~~House~~at House at such time that the Clearing House determines that sufficient ~~cover~~Collateral has been provided to register that Backloaded Trade.

For any SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as an FCM SwapClear Contract, the FCM Rulebook will apply with respect to such registration of an FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- (i) \_\_\_\_\_ times of Backload Registration Cycles;
- (ii) \_\_\_\_\_ the Individual Backload Value Threshold; and
- (iii) \_\_\_\_\_ the Aggregate Backload Margin Threshold.

#### ~~2C.3.7~~1.3.7 *Notification*

The Clearing House will send to the originating Approved Trade Source System notification of registration or rejection, as the case may be, and the SwapClear Clearing Members will be notified by the Approved Trade Source System or the ~~SwapClear~~ClearLink API or otherwise of the registration or rejection of SwapClear Transactions, or contracts purported as such.

#### ~~2C.3.8~~1.3.8 *Rejected Trades*

Trades submitted for registration that do not meet the product or other ~~eligibility criteria prescribed from time to time by the Clearing House~~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 (including a trade submitted by or on behalf of a SwapClear Clearing Member that was executed on (i) a US Trading Venue that was not at the time of execution of such trade an Eligible US Trading Venue in respect of such SwapClear Clearing Member or (ii) a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as a US Trading Venue) or which contain invalid or incomplete message data or with respect to which the Clearing House has not received sufficient Collateral (taking into account MER and/or SwapClear Tolerance, if any) will be rejected, except that such Collateral shall be required to be provided prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade.- If, at any time, the Clearing House does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

## 1.4 Proprietary Accounts and Client Accounts

### 1.4.1 Proprietary Accounts

A SwapClear Clearing Member 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.

#### 1.4.2 Client Accounts

##### (a) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.20 below, a SwapClear Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

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

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

- (i) a position account; and
- (ii) a collateral account.

### **2C.4.1.5 Position Accounts**

#### **2C.4.1.5.1 SCM Accounts**

For identification purposes each SCM is assigned a unique three-character mnemonic. An SCM's position and financial information are further identified by a single character code: C for ~~segregated-client business~~SwapClear Client Clearing Business; and H for ~~house business~~SwapClear Clearing House Business. The H account is obligatory, the C account ~~is optional~~will be used in respect of any SCM which engages in SwapClear Client Clearing Business.

#### **2C.4.2.1.5.2 Position-Keeping Accounts**

##### **2C.4.2.1(a) Clearing Member Accounts**

~~These are identical to Clearing Member accounts as described in Regulation 5.~~ The account types are: H for ~~house business~~SwapClear Clearing House Business; and C for ~~segregated-client business~~SwapClear Client Clearing Business.

An SCM's SwapClear positions are also recorded within the SwapClear clearing system in SwapClear Accounts.

2C.4.2.2(b) SwapClear Accounts

The SwapClear clearing system will provide position-keeping accounts for SCMs. A SwapClear Account will be assigned a code identical to the Bank Identifier Code ("~~BIC~~") of the SCM. Each SwapClear Account must map to a Clearing Member Account.

All registered SwapClear Contracts will be identifiable to SCMs via SwapClear Clearing Member reporting (see ~~section 2C~~Section 1.1.3). Each SwapClear Contract will also be assigned a unique trade identifier. The SwapClear Clearing Member reporting functionality also allows SCMs to identify all SwapClear Contracts, registered in their name, and, if submitted by an SD, the submitting SD.

2C.5.1.6 Financial Collateral Accounts

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

2C.5.1.6.1 Relationship with Position-Keeping Accounts and Collateral Accounts

<u>Trading Position-keeping Account</u>	<u>Financial Collateral Account</u>
H	<del>House</del> <u>Proprietary</u> H
C	Client C

~~Other Financial Accounts~~

Each client "C" position-keeping account and the client "C" collateral account of an SCM may hold any number of segregated sub-accounts. Each Individual Segregated Account of the SCM 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.

In the case of Omnibus Gross Segregated Accounts, the relevant segregated sub-accounts of the client "C" collateral account and "C" position-keeping account will be further segregated into sub-accounts for each Omnibus Gross Segregated Clearing Client or, where applicable, a group of Combined Omnibus Gross Segregated Clearing Clients together.

### 1.6.2 Further accounts

At the Clearing House's discretion, further ~~financial~~ accounts, ~~used only to record financial balances~~, may be opened ~~as follows~~: from time to time.

	Code
<del>Buffer accounts (House), used for holding additional cash in relation to House business</del>	<del>B</del>
<del>Buffer account (Client), used for holding additional cash in relation to Client business</del>	<del>E</del>
<del>SwapClear Additional Collateral Account</del>	<del>A</del>

### 1.6.3 Client Excess

A Clearing Member can transfer Client Excess in accordance with Section 1.10 of Procedure 4 (Margin and Collateral).

### ~~2C.5.3~~ 1.6.4 Default Fund (DF) Account

Each SCM's Default Fund Contribution is held on a separate ~~financial~~ account. The DF account code is ~~"F"~~ "F".

#### ~~SwapClear Additional Collateral Account~~

~~Upon request from an SCM the Clearing House will setup a new sub-account called the Additional Collateral Account.~~

~~Such requests should be submitted to the Clearing House's Treasury Operations team ([lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com); 020 7426 7505).~~

~~SCMs are able to lodge excess collateral on behalf of their clients (the amount is at the SCM's discretion), into the Additional Collateral Account.~~

~~In order to lodge collateral into the Additional Collateral Account, an SCM must adhere to the following procedure:~~

~~an SCM can lodge non-cash collateral or request that the Clearing House call cash directly from the SCM into the Additional Collateral Account. If an SCM intends to lodge non-cash collateral they must submit an Additional Collateral Account Lodgement Form to the Clearing House. (Appendix 2C.E);~~

~~an SCM can transfer non-cash or cash collateral from its Client Account to the Additional Collateral Account (see section 2C.9).~~

~~When an SCM lodges non-cash collateral at the Clearing House, the Clearing House will issue the SCM with a collateral lodgement number that must be provided to the Clearing House whenever that SCM wishes to transfer that non-cash collateral.~~

~~The SCM is responsible for maintaining a record of the collateral held against each SwapClear Clearing Client (see Additional Collateral Account Spreadsheet, Appendix 2C.H).~~



~~The Additional Collateral Account Spreadsheet submitted by an SCM to the Clearing House is the primary record of the contents of the Additional Collateral Account and an SCM must provide an updated version to the Clearing House whenever transfers are made from/to the Additional Collateral Account.~~

~~In the event of an SCM default, the Additional Collateral Account Spreadsheet provided by the defaulted SCM will be used to identify the SwapClear Clearing Clients' collateral lodged in the Additional Collateral Account.~~

## ~~VARIATION MARGIN~~

### 1.7 Variation Margin

All SwapClear Transactions will, on submission to the Clearing House, be marked-to-market using the Clearing House's zero coupon yield curves. In accordance with Regulation ~~50~~57 (*Collateralisation of SwapClear Contracts*), the Clearing House will use these curves to calculate the net present value of the SwapClear Transaction to the Clearing House or, as the case may be, to an SCM.

~~This value~~Separate variation margin calculations are performed for an SCM's Proprietary Accounts and for each Individual Segregated Client Account and Omnibus Segregated Account (other than an Affiliated Client Omnibus Gross Segregated Account). In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) separate variation margin calculations are performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of such Omnibus Gross Segregated Clearing Client. In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single variation margin calculation is performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of such Combined Omnibus Gross Segregated Clearing Clients.

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.

Collateral provided pursuant to this Procedure must, subject to intra-day registration, be ~~paid by~~in the ~~SCM in~~form of cash in the currency of the SwapClear Transaction. Where a SwapClear Transaction is registered intra-day, and the variation margin obligation ~~is~~ covered with non-cash Collateral, the Clearing House will, the following business day, require ~~payment of the full~~SCM to replace that non-cash amount.

All SwapClear Contracts will be marked-to-market ~~daily using~~daily using the Clearing House's zero coupon yield curves. The daily change in the net present value will be credited to or debited from the relevant position account.

For the avoidance of doubt, any transfers of cash Collateral by an SCM to the Clearing House in respect of the SCM's variation margin obligations or by the Clearing House to an SCM in respect of the Clearing House's variation margin obligations shall be for the purposes of collateralisation and not settlement of obligations under the relevant SwapClear Contracts.

#### ~~2C-6.4~~1.7.1 *Zero Coupon Yield Curve Construction*



The Clearing House will determine, at its sole discretion, appropriate instruments, points and market prices for the construction of zero coupon curves and portfolio valuation. Details of the construction method and Instruments used are available on request from ~~the Clearing House~~ [SwapClear](#) Risk ~~Management Department~~ on +44 (0)20 ~~74267 426~~ 7549, but may be subject to change without prior notification.

~~2C.6.2~~ 1.7.2 *Official Quotations*

Zero Coupon Yield curves will use prices and rates taken at:

All times quoted are London time

AUD	12:00
CAD	20:00
CHF LIBOR &-OIS	16:30
CZK	16:30
DKK	16:30
EURO	16:30
<a href="#">LIBOR</a>	
<del>LIBOR</del>	
GBP	16:30
<a href="#">LIBOR</a>	
<del>LIBOR</del>	
HKD	12:00
HUF	16:30
JPY	12:00
NOK	16:30
NZD	12:00
PLN	16:30
SEK	16:30
SGD	12:00
<del>USD</del>	<del>20:00</del>

<u>USD</u>		
LIBOR & -OIS		<u>20:00</u>
ZAR		16:30
EURO		18:00
<u>OIS</u>		
GBP		18:00
<u>OIS</u>		
<del>OIS</del>		

Zero coupon yield curves used for daily marking to market will be published on the Clearing House's member reporting website at intervals during the day as the prices and rates are captured.

#### ~~2C.6.3~~1.7.3 *Net Present Value*

The Clearing House will calculate the net present value ("NPV") of each eligible SwapClear Contract using the Clearing House's zero coupon yield curves.

It is a condition of registration that sufficient Collateral, as determined by the Clearing House, is held with the Clearing House to cover both the NPV and initial margin obligations in respect of each SwapClear Transaction (taking into account, for these purposes, any MER and/or SwapClear Tolerance, if any), except that such Collateral shall be required to be provided prior to registration as a condition thereto only if such SwapClear Transaction is a Block IRS Trade.

#### ~~2C.6.4~~1.7.4 *Price Alignment Interest*

The transfer of Collateral in respect of variation margin, or change in NPV, on a daily basis without adjustment would distort the pricing for SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of variation margin, the Clearing House will for each SCM either charge interest on cumulative amounts received by the SCM in respect of variation margin obligations, or pay interest on cumulative amounts paid by the SCM in respect of variation margin obligations (see ~~section 3.5.2~~Section 1.6.2 of Procedure 3 (Financial Transactions)).

### ~~COUPON PAYMENTS~~

## 1.8 Coupon Payments

### ~~2C.7.4~~1.8.1 *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see ~~section 2C.2.3~~Section 1.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to SCMs by the Clearing House in a Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between SCMs and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the Contract Terms.

### ~~2C.7.2~~1.8.2 *Calculation of Fixed Amount*

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

(a) if an amount is specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or

(b) if an amount is not specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\begin{array}{l} \text{Fixed} \\ \text{Amount} \\ \text{Amount} \end{array} = \begin{array}{l} \text{Calculation} \\ \text{Amount} \end{array} \times \begin{array}{l} \text{Fixed} \\ \text{Rate} \end{array} \times \begin{array}{l} \text{Fixed Rate Day} \\ \text{Count Fraction} \end{array}$$

### ~~2C.7.3~~1.8.3 *Calculation of Floating Amount*

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\begin{array}{l} \text{Floating} \\ \text{Amount} \\ \text{Amount} \end{array} = \begin{array}{l} \text{Calculation} \\ \text{Amount} \\ (+/- \text{ Spread}) \end{array} \times \begin{array}{l} \text{Floating} \\ \text{Rate} \end{array} \times \begin{array}{l} \text{Floating Rate Day} \\ \text{Count Fraction} \end{array}$$

### ~~2C.7.4~~1.8.4 *OIS coupon calculation*

#### Compounding Rate Calculations

The rate used for the OIS rate is calculated according to ISDA 2006 definitions. The formula for these calculations is given below.

USD-Federal Funds-H.15-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{FEDFUND}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

"d0" for any Calculation Period is the number of New York Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant New York Banking Days in chronological order from, and including, the first New York Banking Day in the relevant Calculation Period;

"FEDFUND<sub>i</sub>" for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate set forth in H.15(519) in respect of the day under the caption "EFFECT" as such rate is displayed on the Reuters Screen FEDFUNDS1 Page, in respect of any day "i" the rate for that will be agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Reuters FEDFUNDS1 Page, in respect of the first preceding New York Banking Day;

"n<sub>i</sub>" is the number of calendar days in the relevant Calculation Period on which the rate is FEDFUND<sub>i</sub>; and

"d" is the number of calendar days in the relevant Calculation Period.

#### CHF-TOIS-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{TOIS}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

"d0" for any Calculation Period is the number of Zurich Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from 1 to d0, each representing the relevant Zurich Banking Days in chronological order from, and including, the first Zurich Banking Day in the relevant Calculation Period;

"TOIS<sub>i</sub>" for any day "i" in the relevant Calculation Period, is a reference rate equal to the rate for tomorrow next deposits in Swiss Francs which appears on the Reuters Screen CHFTOIS= as of 11:00 a.m., Zurich time, on the day that is one Zurich Banking Day preceding that day;

"n<sub>i</sub>" is the number of calendar days in the relevant Calculation Period on which the rate is TOIS<sub>i</sub>; and

$d$  is the number of calendar days in the relevant Calculation Period.

#### GBP-WMBA-SONIA-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{SONIA}_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

$d_0$  for any Calculation Period is the number of London Banking Days in the relevant Calculation Period;

$i$  is a series of whole numbers from 1 to  $d_0$ , each representing the relevant London Banking Days in chronological order from, and including, the first London Banking Day in the relevant Calculation Period;

$\text{SONIA}_i$  for any day  $i$  in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the Wholesale Market Brokers' Association and appearing on the Reuters Screen SONIA Page in respect of that day;

$n_i$  is the number of calendar days in the relevant Calculation Period on which the rate is  $\text{SONIA}_i$ ; and

$d$  is the number of calendar days in the relevant Calculation Period.

#### EUR-EONIA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{\text{EONIA}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

Where:

$d_0$  for any Calculation Period is the number of TARGET Settlement Days in the relevant Calculation Period;

$i$  is a series of whole numbers from 1 to  $d_0$ , each representing the relevant TARGET Settlement Days in chronological order from, and including, the first TARGET Settlement Days in the relevant Calculation Period;

$\text{EONIA}_i$  for any day  $i$  in the relevant Calculation Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day;

$n_i$  is the number of calendar days in the relevant Calculation Period on which the rate is  $\text{EONIA}_i$ ; and

$d$  is the number of calendar days in the relevant Calculation Period.

## CAD-CORRA-OIS-COMPOUND

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{CORRA_i \times ni}{365} \right) - 1 \right] \frac{365}{d}$$

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{CORRA_i \times ni}{365} \right) - 1 \right] \frac{365}{d}$$

Where:

"d0" for any Calculation Period is the number of Toronto Banking Days in the relevant Calculation Period;

"i" is a series of whole numbers from one to d0, each representing the relevant Toronto Banking Day in chronological order from, and including, the first Toronto Banking Day in the relevant Calculation Period;

"CORRA<sub>i</sub>" for any day "i" in the relevant Calculation Period, is a reference rate equal to the daily fixing for Canadian Dollar overnight repurchase rate as published at approximately 9:00 am, Toronto time, on the day that is one Toronto Banking Day following that day "i" on the Bank of Canada website page address <http://www.bankofcanada.ca/fmd/monmrt.htm>. If such rate does not appear on such Bank of Canada website page in respect of any day "i", the rate for that day will be as agreed between the parties, acting in good faith and in a commercially reasonable manner. If the parties cannot agree, the rate for that day will be the rate displayed on the Bank of Canada website page <http://www.bankofcanada.ca/fmd/monmrt.htm> in respect of the first preceding Toronto Banking Day;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is CORRA<sub>i</sub>; and

"d" is the number of calendar days in the relevant Calculation Period.

### 2C.7.5 1.8.5 Calculation of Compounded Amount

~~Depending~~ If applicable, and depending on whether the SwapClear Contract is submitted under ISDA 2000 or 2006 Definitions the Clearing House will calculate the compounded floating amount payable by a SwapClear Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

### 2C.7.6 1.8.6 Calculation of FRA Discounting (Article 8.4 of the 2006 ISDA Definitions)

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD, ZAR the FRA Amount will be calculated in

accordance with the following formula:

$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times \left[ \begin{array}{l} \text{(Floating Rate +} \\ \text{Spread)} \\ \text{- Fixed Rate} \end{array} \right] \times \left[ \begin{array}{l} \text{Floating} \\ \text{Rate Day} \\ \text{Count} \\ \text{Fraction} \end{array} \right]}{1 + \left[ \begin{array}{l} \text{Discount Rate} \times \\ \text{Discount} \\ \text{Rate Day} \\ \text{Count} \\ \text{Fraction} \end{array} \right]}$$

~~$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times \left[ \begin{array}{l} \text{(Floating Rate +} \\ \text{Spread)} \\ \text{- Fixed Rate} \end{array} \right] \times \left[ \begin{array}{l} \text{Floating} \\ \text{Rate Day} \\ \text{Count} \\ \text{Fraction} \end{array} \right]}{1 + \left[ \begin{array}{l} \text{Discount Rate} \times \\ \text{Discount} \\ \text{Rate Day} \\ \text{Count} \\ \text{Fraction} \end{array} \right]}$$~~

Where FRA Discounting is specified for AUD Forward Rate Transactions and NZD Forward Rate Transactions then FRA Yield Discounting will be applied and the FRA Amount calculated in accordance with the following formula:

~~$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times 365 \times \left[ \frac{1}{365 + [R_1 \times \text{ND}]} - \frac{1}{365 + [R_2 \times \text{ND}]} \right]}{\text{Calculation Amount} \times 365 \times \left[ \frac{1}{365 + [R_1 \times \text{ND}]} - \frac{1}{365 + [R_2 \times \text{ND}]} \right]}$$~~

$$\text{FRA Amount} = \frac{\text{Calculation Amount} \times 365 \times \left[ \frac{1}{365 + [R_1 \times \text{ND}]} - \frac{1}{365 + [R_2 \times \text{ND}]} \right]}{\text{Calculation Amount} \times 365 \times \left[ \frac{1}{365 + [R_1 \times \text{ND}]} - \frac{1}{365 + [R_2 \times \text{ND}]} \right]}$$

Where:

R<sub>1</sub> is the sum of the Floating Rate and the Spread on the payment date, expressed as a decimal

R<sub>2</sub> is the Fixed Rate, expressed as a decimal; [and](#)

ND is the actual number of days in the calculation period

~~2C.7.7~~1.8.7 *Business Day and Business Day Convention*

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centres specified in the matched SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched SwapClear Transaction message.

~~2C.7.8~~1.8.8 *Payment of Coupons*

~~After adjusting coupons, in accordance with the appropriate Business Day and Business Day Conventions~~If applicable, the Clearing House will credit or debit Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date, after adjusting coupons in accordance with the appropriate Business Day and Business Day Conventions. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next business day following the Coupon Payment Date.

~~2C.7.9~~1.8.9 *Calculation Periods*

In respect of any Calculation Period that is a not a whole calendar month (a stub period), the Reset Rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

~~2C.7.10~~1.8.10 *Day Count Fractions: ISDA 2000*

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

~~Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.~~

Where the SwapClear Contract is submitted under the ISDA 2000 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

- (a) if "Actual/365" or "Actual/Actual" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;



(c) if "Actual/360" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

(d) if "30/360", "360/360", "Bond Basis" or "30E/360" or "Eurobond Basis" is specified the actual number of days in the Calculation Period in respect of which payment is being made will be determined in accordance with the following formula:

$$((Y_2 - Y_1) * 360) + ((M_2 - M_1) * 30) + (D_2 - D_1)$$

where D<sub>1</sub>, M<sub>1</sub> and Y<sub>1</sub> are the day, month and year respectively on which the period begins and D<sub>2</sub>, M<sub>2</sub> and Y<sub>2</sub> are the day, month and year respectively on which the period ends (coupon payment date).

In accordance with this formula the following will be applied:

(i) if "30/360", "360/360" or "Bond Basis" is specified the Clearing House will:

if D<sub>1</sub> is 31 amend it to 30,

if D<sub>2</sub> is 31 amend it to 30 only if D<sub>1</sub> is 30 or 31; or

(ii) if "30E/360" or "Eurobond Basis" is specified the Clearing House will:

if D<sub>1</sub> is 31 then amend it to 30; or

if D<sub>2</sub> is 31 then amend it to 30.

(e) For Actual/Actual (ISMA): "The [Fixed/Floating] Amount will be calculated in accordance with Rule 251 of the statutes, by-laws, rules and recommendations of the International Securities Market Association, as published in April 1999, as applied to straight and convertible bonds issued after 31 December ~~31~~, 1998, as though the [Fixed/Floating] Amount were the interest coupon on such a bond<sup>22</sup>."

#### 2C.7.441.8.11 *Day Count Fractions: ISDA 2006*

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Where the SwapClear contract is submitted under the ISDA 2006 Definitions, the Clearing House will calculate Day Count Fractions in accordance with the following principles:

(a) if "Actual/Actual", "Actual/Actual (ISDA)", "Act/Act" or "Act/Act-(ISDA)" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the

Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if “Actual/365 (Fixed)” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;

(c) if “Actual/360” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;

(d) “30/360”, “360/360” or “Bond Basis” is specified the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))}{360}$$

Where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

“D2” is the Calendar day, expressed as a number, immediately following the last day included in the Calculation Period or Compounding Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

(e) if “30/E60” or “Eurobond basis” is specified, the number of days in the Calculation or Compounding Period in respect of which payment is being made divided by 360, calculate on a formula basis as follows:

$$\text{Day Count} = \frac{((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 -$$

$$\text{Fraction} = \frac{\text{D1))}}{360}$$

Where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless such number would be 31, in which case D1 will be 30 and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless such number would be 31, in which case D2 will be 30.

(f) if 30E/360(ISDA) is specified, the number of days in the Calculation or Compounding period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count} \quad ((360 \times (Y2 - Y1)) + (30 \times (M2 - M1)) + (D2 - D1))$$

$$\text{Fraction} = \frac{\quad}{360}$$

Where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation or Compounding Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period or Compounding Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation or Compounding Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation period or Compounding Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation or Compounding Period, unless (i) that day is the last day of February but NOT the termination date or (ii) such number would be 31, in which case D2 will be 30.

(g) If "Actual/Actual" (ICMA) or "Act/Act" (ICMA) is specified, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "ICMA Rule-Book"), calculated in accordance with Rule 251 of the ICMA Rule-Book as applied to non US Dollar denominated straight and convertible bonds issued after 21 December ~~21~~, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period or Compounding Period in respect of which payment is being made.

#### 2C.7.12.1.8.12 *Reset Rates*

2C.7.12.1(a) Reset Rates will be published by the Clearing House -via the Rate Reset reports.

The Where applicable, the Clearing House will apply the following principles in calculating Reset Rates:

(a)(i) "GBP-LIBOR-BBA" means that the rate for a Reset Date will be the rate for deposits in Sterling for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 Page as of 11:00 hours, London time, on that Reset Date.

(b)(ii) "USD-LIBOR-BBA" the rate for US Dollar deposits for a period of the Designated Maturity which appears on Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(c)(iii) "Euro-LIBOR-BBA" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two TARGET Settlement Days preceding that Reset Date.

(d)(iv) "Euro-EURIBOR-Telerate (ISDA2000)" / "Euro-EURIBOR-Reuters" the rate for Euro deposits for a period of the Designated Maturity which appears on the Reuters Screen

EURIBOR01 as of 11:00 hours Brussels time, on the day that is two TARGET Settlement Days preceding that Reset Date.

(e)(v) “JPY-LIBOR-BBA” the rate for Japanese Yen deposits or a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours London time, on the day that is two London Banking Days preceding that Reset Date.

(f)(vi) “CHF-LIBOR-BBA” means that the rate for a Rest Date will be the rate for deposits in Swiss Francs for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(g)(vii) “AUD-BBR-BBSW” means that the rate for a Reset Date will be the average mid rate, for Australian Dollar bills of exchange having a tenor of the Designated Maturity, which appears on the Reuters screen BBSW Page at approximately 10:10 hours, Sydney time, on that Reset Date.

(h)(viii) “AUD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Australian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR02 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(i)(ix) “CAD-BA-CDOR” means that the rate for a Reset Date will be the average rate for Canadian Dollar bankers acceptances for a period of the Designated Maturity which appears on the Reuters Screen CDOR page as of 10:00 hours, Toronto time, on that Reset Date.

(j)(x) “CAD-LIBOR-BBA” means that the rate for a Reset Date will be the rate for deposits in Canadian Dollars for a period of the Designated Maturity which appears on the Reuters Screen LIBOR01 as of 11:00 hours, London time, on the day that is two London Banking Days preceding that Reset Date.

(k)(xi) “CZK-PRIBOR-PRBO” means that the rate for a Reset Date will be the rate for deposits in Czech Koruna for a period of the Designated Maturity which appears on the Reuters Screen PRBO page as of 10:00 hours, Prague time, on the day that is two Prague Banking Days preceding that Reset Date.

(l)(xii) “DKK-CIBOR-DKNA13” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on that Reset Date.

(m)(xiii) “DKK-CIBOR2-DKNA13” means that the rate for a Reset Date will be the rate for deposits in Danish Kroner for a period of the Designated Maturity which appears on the Reuters Screen DKNA13 Page as of 11:00 hours, Copenhagen time, on the day that is two Copenhagen Banking Days preceding that Reset Date.

(n)(xiv) “HKD-HIBOR-HIBOR=” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HIBOR1=R Page (for Designated Maturities of one month to six months, inclusive) or the Reuters Screen HIBOR2=R Page (for Designated Maturities of seven months to one year, inclusive), in each case across from the caption “FIXING@11:00” as of 11:00 hours, Hong Kong time, on that Reset Date.

(o)(xv) “HKD-HIBOR-HKAB” means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen HKABHIBOR as of 11:00 hours, Hong Kong time, on that Reset Date.

(p)(xvi) “HKD-HIBOR-ISDC” (ISDA2000) means that the rate for a Reset Date will be the rate for deposits in Hong Kong Dollars for a period of the Designated Maturity which appears on the Reuters Screen ISDC Page as of 11:00 hours, Hong Kong time, on that Reset Date.

(q)(xvii) “HUF-BUBOR-Reuters” means that the rate for a Reset Date will be the rate for deposits in Hungarian Forint for a period of the Designated Maturity which appears on the Reuters Screen BUBOR= Page as of 10:00 hours, Budapest time, on the day that is two Budapest Banking Days preceding that Reset Date.

(r)(xviii) “NOK-NIBOR-NIBR” means that the rate for a Reset Date will be the rate for deposits in Norwegian Kroner for a period of the Designated Maturity which appears on the Reuters Screen NIBR Page as of 12:00 noon, ~~Oslo~~ Oslo time, on the day that is two Oslo Banking Days preceding that Reset Date.

(s)(xix) “NZD-BBR-Telerate” (ISDA2000) means that the rate for a Reset Date will be the fixed midrate for New Zealand Dollar bills of exchange for a period of the Designated Maturity which appears on the Telerate Page 2484 as of 11:00 hours, Wellington time, on that Reset Date.

(t)(xx) “NZD-BBR-FRA” means that the rate for a Reset Date will be the rate for the New Zealand Dollar bills of exchange for a

period of designated maturity which appears on the Reuters Screen BKBM Page opposite the caption of “FRA” as of 11:00 hours, Wellington time, on that Reset Date.

(u)(xxi) “SEK-STIBOR-SIDE” means that the rate for a Reset Date will be the rate for deposits in Swedish Kronor for a period of the Designated Maturity which appears on the Reuters Screen SIDE Page under the caption “FIXINGS” as of 11:00 hours, Stockholm time, on the day that is two Stockholm Banking Days preceding that Reset Date.

(v)(xxii) “SGD-SOR-Reuters” means that the rate for a Reset Date will be the rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSIRFIX01 as of 11:00 hours, Singapore time, on the day that is two Singapore Banking Days preceding that Reset Date.

(w)(xxiii) “SGD-SOR-VWAP” means that the rate for a Reset Date will be the synthetic rate for deposits in Singapore Dollars for a period of the Designated Maturity which appears on the Reuters Screen ABSFIX01 Page under the heading “SGD SOR rates” as of 11:00 a.m., London time, on the day that is two Singapore and London Banking Days preceding that Reset Date.

(x)(xxiv) “PLN-WIBOR-WIBO” means that the rate for a Reset Date will be the rate for deposits in Polish Zloty for a period of the Designated Maturity which appears on the Reuters Screen WIBO page under the caption “FIXINGS” as of 11:00 hours, Warsaw time, on the day that is two Warsaw Banking Days preceding that Reset Date.

(y)(xxv) “ZAR-JIBAR-SAFEX” means that the rate for a Reset Date will be the mid-market rate for deposits in South African Rand for a period of the Designated Maturity which appears on the Reuters screen SAFEY page under the caption “YIELD” as of 11:00 hours, Johannesburg time, on that reset date. If such rate does not appear on the Reuters screen SAFEY page, the rate for that Reset Date will be determined as if the parties had specified “ZAR-JIBAR-Reference Banks” as the applicable Floating Rate Option.

(z)(xxvi) “CHF-TOIS-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2C.7.4~~, Section 1.8.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Swiss interbank money market).



~~(aa)~~(xxvii) “GBP-WMBA-SONIA-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2C-7.4~~, Section 1.8.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is ~~the~~ the Sterling daily overnight reference rate).

~~(bb)~~(xxviii) “USD-Federal Funds-H.15-OIS-Compound” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2C-7.4~~, Section 1.8.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the daily effective federal funds rate determined by the Federal Reserve as the weighted average of the rates on brokered trades).

~~(cc)~~(xxix) “EUR-EONIA-OIS-COMPOUND” means that the rate for a Reset Date, calculated in accordance with the formula set forth in ~~section 2C-7.4~~, Section 1.8.4, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market).

In the event of no rate being available the Clearing House will, at its sole discretion, determine an applicable rate.

#### ~~2C.7.12.2~~(b) Applying Reset Rate

The Clearing House will identify the reset dates of floating legs that require the application of a Reset Rate. The Reset Rate will be applied to the appropriate floating legs and the coupon payments calculated.

The coupon payments will be adjusted to fall on actual business days according to the Calendar(s) and Business Day Convention specified.

#### ~~2C.7.12.3~~(c) Negative Interest Rate Method

SCMs should note the provisions of section 3.3 of Part A of the ~~Schedule to the SwapClear Regulations~~ Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website regarding the applicability of the Negative Interest Rate Method to a SwapClear Contract. SwapClear Clearing Members may, in the circumstances, wish to ensure that any trade submitted for registration follows that Negative interest Rate Method.

### 1.8.13 Calculation of Inflation Indices

(a) The Index level used for calculating the Floating Rate is determined according to the 2008 ISDA Inflation Definitions. The descriptions of



the relevant Indices for the purposes of these calculations are as follows:

- (i) “EUR – Excluding Tobacco-Non-revised Consumer Price Index” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (ii) “FRC – Excluding Tobacco-Non-Revised Consumer Price Index” means the “Non-revised Index of Consumer Prices excluding Tobacco”, or relevant Successor Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (iii) “GBP – Non-revised Retail Price Index (UKRPI)” means the “Non-revised Retail Price Index All Items in the United Kingdom”, or relevant Successor Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (iv) “USA – Non-revised Consumer Price Index – Urban (CPI-U)” means the “Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment”, or relevant Successor Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

#### 1.8.14 Index Final

The Clearing House will calculate the Index Final by taking the relevant Index level for the applicable Reference Month. In the event of no Index being available the Clearing House will, at its sole discretion, determine a value for the Index level.

### ~~2C.8.1.9~~ Initial Margin

The Clearing House will require SCMs to transfer Collateral in respect of their initial margin obligations. ~~This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate initial margin requirements for SwapClear Contracts.~~

~~Separate initial margin calculations are performed for an SCM's house "H" and client "C" accounts.~~

Separate initial margin calculations are performed for an SCM's Proprietary Accounts and for each Individual Segregated Client Account and Omnibus Segregated Account (other than an Affiliated Client Omnibus Gross Segregated Account). In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) separate initial margin calculations are performed in respect of the SwapClear Contracts entered into by the relevant SCM on behalf of such Omnibus Gross Segregated Clearing Client. In respect of a group of Combined Omnibus Gross Segregated Clearing Clients a single initial margin calculation is performed in respect of SwapClear Contracts entered into by the relevant SCM on behalf of such Combined Omnibus Gross Segregated Clearing Clients.

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.

#### ~~2C.8.1.9.1~~ Margin Parameters

The Clearing House Risk Management Department uses appropriate yield curve scenarios, both in terms of shape and magnitude of movement, to capture potential losses based on an observed history - the primary component of the initial margin calculation. These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a specific ~~SCM's House~~ SCM's Proprietary Account and/or Client ~~a~~ Accounts.

~~Clearing Members will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new yield curve scenarios.~~

#### ~~2C.8.21.9.2~~ Counterparty Risk Multiplier

Where a risk multiplier is applied to an SCM that has SwapClear Clearing Clients, that multiplier will be applied only to SwapClear Clearing Clients that have no Backup ~~SwapClear~~ Clearing Member.

The Clearing House reserves the right to require additional amounts of Collateral from a specific SCM or from all SCMs in accordance with Regulation ~~12.20~~ (Margin and Collateral).

### 2C.8.31.9.3 Liquidity Multiplier

Risk Management apply a liquidity multiplier based on ~~WCL~~scenario values exceeding certain thresholds on the SCM's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an ongoing basis. ~~SwapClear Clearing Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.~~

### 2C.8.41.9.4 Intra-day Margin Calls

In accordance with the ~~Clearing House's General~~ Regulations, the Clearing House is entitled, where considered necessary, to ~~make demand that a Clearing Member transfer~~ additional ~~margin calls for payment~~Collateral to the Clearing House the same day (intra-day margin calls) ~~where it is considered necessary~~. Intra-day margin calls can be ~~called~~made at any time throughout the business day (08:30 to 21:00 hours London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section ~~2C.9~~1.11).

In certain circumstances the Clearing House may ~~wish~~require a Clearing Member to ~~make a call for~~transfer additional ~~funds cash~~ Collateral to the Clearing House after the closure of London PPS facilities at 16:00 hours London time. In this event the Clearing House will require payment of additional ~~funds cash~~ Collateral through PPS facilities in the USA (see ~~section Section 1.3-2.2~~of Procedure 3 (Financial Transactions)). **Members must ensure, in these circumstances, that they are in a position to ~~fund~~comply with such ~~calls~~demands through their nominated US PPS account within one hour of the ~~call~~demand.**

### 2C.8.51.9.5 Calculation of Initial Margin

#### 2C.8.5.4(a) Portfolio Approach to Interest Rate Scenarios (PAIRS)

~~The PAIRS calculation is a VAR based approach based on historical simulations model which takes historical events that occurred within the look-back period and from these calculates initial margin in line with the Clearing House's risk policies (which also take into account regulatory requirements).~~ All positions in each currency are ~~re-valued~~revalued under a series of ~~cross~~ scaled historical market moves and initial margin is calculated as the Expected Shortfall (ES) of the portfolio ~~yield curve scenarios to estimate the highest forecast loss and therefore the initial margin requirement.~~ Further details of this method are available upon request and are detailed in the PAIRS TIP document. The PAIRS document and further information relating to ~~Initial Margin~~initial margin calculations can be obtained from ~~the Rates team~~SwapClear Risk on +44 (020) 7426 6325 or +44 (020) 7426 74280)20 7 426 7549.

## ~~2C.8.6~~1.10 **Tenor Basis Risk Margin Add-on**

~~A margin~~An add-on margin requirement will be applied in respect of tenor basis risk.

## ~~INTRA-DAY MARGIN CALL: COLLATERAL MANAGEMENT~~

### ~~2C.9.4~~1.11 **~~General—Intra-day Margining~~Day Margin Call: Collateral Management**

~~Following an~~The methods for covering intra-day margin ~~calls~~calls are set out in Section 1.11 of Procedure 4 (Margin and unless notified otherwise by an SCM at Collateral).

### 1.12 Price Alignment Interest (PAI) Rate

~~To minimise the time~~impact of ~~an intra-day~~daily cash variation margin ~~calls~~payments on the pricing of interest rate swaps and inflation swaps, the Clearing House will ~~deduct cash, in the appropriate currency, directly from the relevant SCM's PPS account to cover that intra-day~~charge interest on cumulative amounts in respect of variation margin ~~calls~~received by the Clearing Member and pay interest on cumulative amounts in respect of variation margin paid in by the Clearing Member in respect of these instruments. This interest element is known as price alignment interest ("PAI").

~~Standard Clearing House rules for acceptable cash used for intra-day collateralisation will apply.~~

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

~~If the~~The calculation of PAI shall use the interest rates specified and published on the Clearing House's website.

~~The Clearing House is unable to contact~~shall not change the interest rates used for the SCM in order to arrange an alternative payment method for the intra-day margin call the Clearing House will automatically issue a PPS call to debit the SCM's PPS account in the appropriate currency.

~~Please note: An SCM must notify the Clearing House~~calculation of its preferred method of collateralisation at the time of the Clearing House's margin call. ~~Once an SCM has chosen an intra-day collateralisation method and has notified the Clearing House of its chosen method, such choice is definitive and the Clearing House will not reverse any decision.~~

#### ~~Alternative Intra-Day Cash Collateralisation Methods~~

~~An SCM may choose to cover its intra-day, margin calls by transferring cash from its House account or Additional Collateral Account to its Client Account.~~

#### ~~Method 1: Transferring Cash Collateral from the House Account~~

~~An SCM may choose to transfer excess cash collateral from its House account to cover an intra-day margin call for its Client account.~~

~~In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess cash collateral from its House account it must follow the procedure below.~~

~~A transfer of excess cash collateral from its House account to its Client account must be completed within 1 hour of the SCM's request to the Clearing House that it intends to transfer House cash excess to its Client account by completing the Intra-Day House Cash Excess Transfer Form (Appendix 2C.D)~~

~~In the event that an SCM does not fulfil the requirement to provide the Clearing House with an executed Intra-Day House Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer excess cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirements in cash, in the appropriate currency, or impose penalty charges.~~

#### ~~Method 2: Transferring Cash Collateral Excess Deposited in the Additional Collateral Account~~

~~An SCM may choose to utilise any cash collateral held in its Additional Collateral account PAI in respect of a USD, EUR, GBP, JPY and CHF without the consent of all SwapClear Clearing Client to cover an intra-day margin call for its Client account. An SCM may only transfer collateral from its Additional Collateral account for the purposes of meeting an intra-day margin call on its Client account Members holding open contracts in such currencies.~~

~~In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring cash collateral from its Additional Collateral account it must follow the procedure below.~~

~~A transfer of cash collateral from the Additional Collateral account to the Client account must be completed within 1 hour of the SCM's request to the Clearing House that it intends to transfer Additional Collateral cash excess to its Client account by completing the Additional Collateral Cash Excess Transfer Form (Appendix 2C.G)~~

~~In the event that an SCM does not meet its requirement to provide the Clearing House with an executed Additional Collateral Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirement in cash, in the appropriate currency, or impose penalty charges.~~

~~An SCM may also transfer cash collateral from its Client account to its Additional Collateral account by completing an Additional Collateral Account Cash Transfer Form (Appendix 2C.G).~~

~~An SCM must submit an Additional Collateral Account Spreadsheet to the Clearing House whenever transfers are made from/to the Additional Collateral account.~~

#### ~~Alternative Intra-Day Non-Cash Collateralisation Methods~~

~~An SCM may choose not to cover its intra-day margin calls with cash collateral. In such a case, an SCM may choose from one or more of the following three methods:~~

~~Deposit intra-day non-cash collateral into the Client account;~~

~~Transfer House non-cash excess from the House account to the Client account;~~

~~Transfer Client non-cash excess deposited in the Additional Collateral account to the Client account~~

### ~~Method 1—Deposit Intraday Non-Cash Collateral~~

~~An SCM may choose to lodge non-cash collateral to cover any intra-day margin call for their Client account.~~

~~In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by depositing non-cash collateral it must follow the procedure below:~~

~~Within 30 minutes of the SCM's notification of its intention to deposit non-cash collateral it must:~~

~~complete the Intra-Day Collateral Lodgement Form and provide a copy to the Clearing House (Appendix 2C.B);~~

~~input instructions for matching with the relevant Custodian account.~~

~~Any lodgement of non-cash collateral must be settled in the Clearing House's account at the relevant Custodian within 1 hour of the SCM's notification to the Clearing House of its intention to lodge non-cash collateral.~~

~~The Clearing House will charge accommodation fees as notified to SCMs for any non-cash collateral lodged as intra-day Collateral (see section 3 of the Clearing House Procedures). This charge will be invoiced to SCMs separately from the standard monthly interest and accommodation charge statement.~~

~~In the event that non-cash collateral is not settled in the Clearing House's account within 1 hour of the SCM notifying the Clearing House of its intention to lodge non-cash collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day requirement in cash, in the appropriate currency, or impose penalty charges.~~

~~When an SCM lodges non-cash collateral, the Clearing House will issue the SCM with a collateral lodgement reference number.~~

### ~~Method 2—Transfer Non-Cash House Excess~~

~~An SCM may choose to utilise any excess non-cash collateral held in its House account to cover an intra-day margin call on its Client account.~~

~~In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess non-cash collateral from its House account it must follow the procedure below:~~

~~A transfer of excess non-cash collateral from the House account to the Client account must be completed within 1 hour of the SCM's request to the Clearing House that it intends to transfer House excess to its Client account by completing the House Excess Transfer Form (Appendix 2C.C).~~

~~The House Excess Transfer Form submitted by the SCM to the Clearing House must contain the collateral lodgement reference number as provided by the Clearing House to the SCM at the time the non-cash collateral was lodged.~~

~~In the event that an SCM transfers non-cash collateral to its Client account, the Clearing House will apply accommodation charges for any non-cash collateral lodged as intra-day~~

~~Collateral. This charge will be invoiced to members separately from the standard monthly interest and accommodation charge statement.~~

~~In the event that an SCM does not fulfil its requirement to provide the Clearing House with an executed House Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer non-cash collateral, the Clearing House may at its discretion issue a PPS call to cover the requirement in cash, in the appropriate currency, or impose penalty charges.~~

~~Transfers from the Client Account to the House account are not permitted under any circumstances.~~

### ~~Method 3—Transfer Non-Cash Collateral deposited in the Additional Collateral Account~~

~~An SCM may choose to transfer non-cash collateral held in its Additional Collateral account in respect of a [Transfer of SwapClear](#) Clearing Client to cover any intra-day margin call on its Client account.~~

~~In the event that an SCM notifies the Clearing House that it wishes to meet its intra-day Collateral call, or part of its intra-day margin call, by transferring non-cash margin held in its Additional Collateral account it must follow the procedure below:~~

~~Within 30 minutes of the SCM's notification of its intention to transfer non-cash collateral from the Additional Collateral Account:~~

~~submit an Additional Collateral Account Non-Cash Transfer Form (Appendix 2C.F);~~

~~provide the Clearing House with a revised Additional Collateral Account Spreadsheet (Appendix 2C.H) that takes into account the transfer from the Additional Collateral account to the Client account.~~

~~The Clearing House will apply accommodation charges for any Non-cash collateral lodged as intra-day Collateral (see section 3 of the Clearing House Procedures). This charge will be invoiced to members separately from the monthly interest and accommodation charge statement.~~

~~If an SCM does not fulfil its requirement to provide the Clearing House with an executed Additional Collateral Account Non-Cash Transfer Form within 1 hour of the SCM's notification to the Clearing House that it wishes to transfer non-cash collateral from the Additional Collateral account, the Clearing House may at its discretion issue a PPS call to cover the margin requirement in cash, in the appropriate currency, or impose penalty charges.~~

~~An SCM may also transfer non-cash collateral from its Client account to its Additional Collateral account by completing an Additional Collateral Account Transfer Form.~~

~~All Additional Collateral Account Non-Cash Transfer Forms submitted by the SCM to the Clearing House must contain the collateral lodgement reference number as provided by the Clearing House to the SCM at the time the non-cash collateral was initially lodged.~~

~~An SCM must submit an Additional Collateral Account Spreadsheet to the Clearing House whenever transfers are made from/to the Additional Collateral account.~~



~~2C.10.1.13~~ ~~Transfer of SwapClear Contracts between client accounts and proprietary accounts~~ Client Accounts and Proprietary Accounts

~~2C.10.1.13.1~~ If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between a SwapClear Clearing Member and a SwapClear Clearing Client in respect of which such SwapClear Clearing Member (i) is a party to Related SwapClear Contracts and, (ii) at the time of such early termination date, ~~the relevant SwapClear Clearing Member~~ is not a Defaulting SCM, ~~the relevant~~that SwapClear Clearing Member may instruct the Clearing House to transfer the relevant Related SwapClear Contracts from its ~~client account~~Client Account to its Proprietary Account.

For the purposes of this ~~section 2C.10.1~~Section 1.13.1 below a “Related SwapClear Contract” means, in respect of a transaction between a SwapClear Clearing Member and a SwapClear Clearing Client which has been terminated on an early termination date, the open position represented by the SwapClear Contract entered into with the Clearing House by such SwapClear Clearing Member on behalf of the relevant SwapClear Clearing Client on equal and opposite terms to such transaction.

A transfer pursuant to this ~~section 2C.10.1~~Section 1.13.1 will be subject to receipt by the Clearing House of the following:

- (a) a copy of the notice from the relevant SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the relevant SwapClear Clearing Client to the relevant SwapClear Clearing Member 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 SwapClear Clearing Member on the relevant SwapClear Clearing Client alerting that SwapClear Clearing Client of its intention to request a transfer of the relevant Related SwapClear Contracts pursuant to this ~~section 2C.10;~~Section 1.13; and
- (c) an indemnity from the relevant SwapClear Clearing Member in a form suitable to the Clearing House

The Clearing House will usually arrange a transfer of Related SwapClear Contracts within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs ~~(a) to (e)~~(a) to (c) above, unless such transfer is contested by the relevant SwapClear Clearing Client.

~~2C.10.2~~1.13.2 In any other circumstance not covered by ~~2C.10.1~~Section 1.13.1 or Section 1.14 below, a SwapClear Clearing Member may only instruct the Clearing House to transfer a SwapClear Contract from its ~~client account~~Client Account to its Proprietary Account in circumstances where the Clearing House has received from the SwapClear Clearing Member:



(a) evidence of the relevant SwapClear Clearing Client's consent to such transfer in a form suitable to the Clearing House; and

(b) an indemnity in a form suitable to the Clearing House.

The Clearing House will usually arrange a transfer of any SwapClear Contract to be transferred pursuant to this ~~2C.10.2~~ Section 1.13.2 within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a) and (b) above, unless such transfer is contested by the relevant SwapClear Clearing Client.

#### 1.14 ~~In the event that all of the SwapClear Contracts entered into by~~ Indirect Clearing

In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a SwapClear Clearing Member ~~on behalf of~~ and a SwapClear Clearing Client ~~are:~~

~~Related SwapClear Contracts transferred in accordance with section 2C.10.1; or transferred pursuant to section 2C.10.2;~~

1.14.1 ~~the relevant~~ acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account in respect of which such SwapClear Clearing Member shall be entitled to any collateral lodged in the Additional Collateral Account with (i) is a party to Related SwapClear Contracts and (ii) at the time of such early termination date, is not a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House and held in respect of the relevant SwapClear Clearing Client. to take one of the following steps:

#### ~~POSITION TRANSFERS~~

(a) in circumstances where (i) the SwapClear 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 SwapClear 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 SwapClear 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 SwapClear Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant SwapClear Clearing Member directly on behalf of the relevant clients (a "Direct Account Opening"); or

(c) transfer the relevant Related SwapClear Contracts from the relevant Indirect Omnibus Segregated Account to its 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 SwapClear 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 SwapClear Contracts to the SwapClear Clearing Member's Proprietary Account (a "Fallback Transfer").

1.14.2 Each of the steps referred to in paragraphs (a), (b) and (c) of 1.14.1 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 SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the relevant SwapClear Clearing Client to the relevant SwapClear 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 SwapClear Clearing Member on the relevant SwapClear Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that SwapClear 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 SwapClear 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 SwapClear Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant SwapClear Clearing Client, the Clearing House will usually arrange a transfer of Related SwapClear 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 of 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 SwapClear Contract" has the same meaning as ascribed to such term in Section 1.13.1 save that, in this Section 1.14, the SwapClear Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

## 1.15 Position Transfers

The SwapClear Clearing System provides functionality for transfer of positions between SCMs ~~and from an SCM to an FCM Clearing Member~~. Other than transfers conducted pursuant to Regulation ~~52C and Procedure 2C.15.5, 60~~ (Transfer) and Section 1.20.4, an SCM who wishes to effect a position transfer to another SCM should contact the Clearing House Risk Management Department.

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 ~~SwapClear~~ 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 ~~52C~~ 60(b) (Transfer), may include ~~the~~ an Associated Collateral Balance) has been ~~provided~~ transferred to the Clearing House by both parties to the transfer.

### ~~2C.11.4~~ 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.

### ~~2C.11.2~~ 1.15.2 *Position Transfer Notice Period*

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

### ~~2C.12~~ 1.16 [~~RESERVED~~ Reserved]

## ~~AMENDMENT OF TRADE REFERENCES~~

### 1.17 ~~Sometimes SwapClear Clearing Members wish to change their own trade references numbers/codes by which they identify~~ Cleared Trade Removal Agreement

SwapClear Contracts may be transferred from a Client Account to the relevant SCM's Proprietary Account in accordance with Section 1.13. In the event that an SCM wishes to remove a SwapClear Contract submitted through the SWIFT trade source it should complete a Cleared Trade Removal Agreement as set out in Schedule 3 of Procedure 4 (Margin and Collateral) and a corresponding Cleared Trade Removal Agreement should also be submitted to the Clearing House by the Counterparty SCM (as defined in the Agreement).

## 1.18 Amendment of Trade References

A SwapClear Clearing Member may wish to change its own trade references numbers/codes by which it identifies trades registered in the SwapClear Service. Subject to that SwapClear Clearing Member meeting all the Clearing House's requirements and these Procedures, the Clearing House will, as part of its service to

SwapClear Clearing Members, amend its records in order to reflect this change. Such change has no effect whatsoever on the terms of any registered SwapClear contract or any other obligations of the SCMs party to those contracts.

#### **2C.14.1.19 Trade Reference Amendment Request Form**

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any SwapClear Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the SwapClear Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the SwapClear Clearing Member wishes to change its trade reference. Evidence of such signing authority may be required by the Clearing House. All parts of the form must be properly and fully completed, including the requested date for trade reference amendment, and, in respect of each trade identified therein, details of the current trade reference and the new trade reference and the Clearing House trade reference number.

The requested date for trade reference amendment must be no earlier than two business days (~~the~~ **"Trade Reference Amendment Notice Period"**) after the date upon which the form is received by the Clearing House. While the Clearing House will do what it reasonably can to meet the requested date for the amendment it cannot promise to do so. The date for the amendment in the Clearing House's records and SwapClear clearing system is a matter entirely within the discretion of the Clearing House and SCMs will be advised in due course of the date set by the Clearing House.

#### **2C.14.4.1.19.1 Multi-trade Amendments**

If a SwapClear Clearing Member requests amendment to several trades it must (in addition to the hard copy Trade Reference Amendment Request Form) provide to the Clearing House an electronic text file containing all the relevant details required by the Trade Reference Amendment Request Form. -Detail of the required formats of the file can be obtained from SwapClear ~~Operations~~[Client Services](#) (Tel: +44 (0) 20 7426 ~~7697~~[7651](#)). If the file is not submitted in the correct format and containing all the required details, the request for deletion will be rejected by the Clearing House and the SwapClear Clearing Member advised accordingly.

#### **2C.14.2.1.19.2 Processing**

The Clearing House will usually agree to process any request for amendment of trade reference properly submitted; however the Clearing House will reject any such request if:

**(a)** it is not made in accordance with these Procedures;

**(b)** any trade reference notified to the Clearing House in the Trade Reference Amendment Request Form does not match the SwapClear Clearing Member trade reference which the Clearing House has recorded;

any ~~the Clearing House~~ trade reference ~~number~~ notified to the Clearing House in the Trade;

~~(d)~~(c) Reference Amendment Request Form does not refer to a trade registered in the SwapClear clearing system;

~~(e)~~(d) any trade referred to in the Trade Reference Amendment Request Form is not already registered in the SwapClear Clearing system or is not recorded by the Clearing House against the BIC code of the SwapClear Clearing Member requesting the amendment;

~~(f)~~(e) it would not be practical in all the circumstances or would put the Clearing House to unacceptable cost if the Clearing House were to make the requested amendments or the Clearing House forms the view that to do so would adversely affect its risk.

Following notification of agreement to make the requested amendments, the Clearing House will use its reasonable endeavours to process the amendments on the anticipated date of amendments; if, for whatever reason the Clearing House is unable to do so, it will notify the SwapClear Clearing Member and process the amendment as soon as reasonably practicable thereafter.

After close of business of the day of processing, the Clearing House will produce a report setting out details of the time and date that it has amended its records in accordance with the request, details of the old and new SwapClear Clearing Member trade references and the status of the amendment in respect of each trade set out in the Trade Reference Amendment Request – namely “amended” or “rejected”. All records of the Clearing House and data held in the SwapClear clearing system will then be updated overnight following the close of business on that day.

#### ~~2C.14.3~~1.19.3 *Legal Documentation*

The Clearing House will provide the requesting SwapClear Clearing Member with legal documentation in Clearing House standard form for that SwapClear Clearing Member to sign. No trade reference will be amended unless such documentation is completed and signed. The documentation must be signed by a person within the SCM with appropriate signing authority. Evidence of such authority may be required by the Clearing House. No amendment to such documentation will be accepted by the Clearing House.

#### ~~2C.14.4~~1.19.4 *Notification*

Subject to the requesting SwapClear Clearing Member meeting all the Clearing House's requirements (including completion and submission of all documentation and such other additional requirements as the Clearing House may be set by the Clearing House in its discretion), the Clearing House will notify the SwapClear Clearing Member of its agreement to the amendment of its records of the SwapClear Clearing Member's trade reference in respect of the trades identified in the Trade Reference Amendment Request Form, and

advise of the anticipated date of amendment (~~“(the “anticipated date of amendment”);”~~).

## ~~SWAPCLEAR CLIENT CLEARING~~

### 1.20 ~~SwapClear Client Clearing~~ **allows**

As part of the SwapClear Service, a SwapClear Clearing Member is able to provide certain clearing services to SwapClear Clearing Clients.

#### ~~2C.15.4~~1.20.1 ~~Security Deed of Assignment~~

Unless ~~otherwise~~ specified otherwise by the Clearing House, ~~SwapClear Clearing Members and a SwapClear Clearing Client~~ Member must enter into a Security Deed in respect of Assignment with its Clearing Clients in relation to amounts due to it from the Clearing House ~~before such SwapClear pursuant to the Client~~ Clearing ~~Members provide clearing services to SwapClear Clearing Clients. The deed of assignment must be executed substantially in the form set out in Appendix 2C.I.~~

~~A slightly amended Annex. Further information in relation to such Security Deed of Assignment is required for SwapClear Clearing Members incorporated in Ireland and is available from the Clearing House's Membership Department (membershipteam@lchclearnet.com).~~

~~As an alternative to entering an individual Deed of Assignment with each SCM and their individual SwapClear Clearing Client, prescribed by the Clearing House also operates a Security Trustee Model whereby from time to time and published on the Clearing House holds those assets assigned under the Deed of Assignment on trust for SwapClear Clearing Clients. The Security Trustee Model Deed of Assignment is shown at Appendix 2C.J. Further details are available from the Clearing House's Membership Department (membershipteam@lchclearnet.com).~~

~~The Security Trustee Deed of Assignment is currently only available to UK incorporated SwapClear Clearing Members and UK branches of overseas incorporated SwapClear Clearing Members~~ House's website.

#### *Prescribed Language*

Pursuant to the Clearing House's<sup>21</sup> General Regulations, each SwapClear Clearing Member is required to ensure that it includes certain language in its agreement with its SwapClear Clearing Client (the ~~“(Clearing House Prescribed Language”);”~~).

The Clearing House Prescribed Language is shown at ~~Appendix 2C.L.~~ Schedule 2 of Procedure 4 (Margin and Collateral).

#### ~~2C.15.3~~1.20.2 ~~Other Legal Documentation~~

~~2C.15.3.1~~(a) From time to time, the Clearing House may make available on its website template documents that a SwapClear Clearing Member and a SwapClear Clearing Client may find useful when agreeing the terms between them for the provision of clearing services by such SwapClear Clearing Member to a SwapClear Clearing Client. The Clearing House makes no representations in respect of any

documentation, including without limitation, those provided by the Clearing House or otherwise.

SwapClear Clearing Clients should, of course, make their own independent decisions in relation to the SwapClear Client Clearing Services based upon their own judgment and upon such advice from such advisers as those clients deem necessary.

SwapClear Clearing Clients' attention is drawn to the ~~SwapClear Clearing~~ End-User Notice which is published on the Clearing House's website:

([http://www.lchclearnet.com/swaps/swapclear\\_for\\_clients/default.asp](http://www.lchclearnet.com/swaps/swapclear_for_clients/default.asp))

(b) Certain template versions of client clearing documentation are made available on the Clearing House's website.

#### ~~2C.15.4~~1.20.3 *Withholding Taxes*

Please note that where SCMs are not beneficially entitled to securities that they ~~lodge with~~transfer to the Clearing House as non-cash ~~e~~Collateral, the Clearing House may require certain tax documents from the relevant beneficial owner of such securities (see ~~section 4~~Section 4 (Margin and Collateral) of the LCH procedures).

#### ~~2C.15.5~~1.20.4 *Transfer of SwapClear Contracts held by a Carrying Clearing Member on behalf of SwapClear Clearing Clients*

In certain circumstances, the Clearing House will transfer SwapClear Contracts registered with a Carrying Clearing Member on behalf of a SwapClear Clearing Client from such Carrying Clearing Member to a Receiving Clearing Member on behalf of a SwapClear Clearing Client, pursuant to Regulation ~~52C,60~~60 (Transfer).

#### ~~2C.15.5.4~~(a) *Partial Transfers*

Where, pursuant to paragraph (d) of Regulation ~~52C,60~~60 (Transfer), a Receiving Clearing Member wishes, on behalf of (i) an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) to receive a transfer of a portion of such SwapClear Clearing Client's portfolio of SwapClear Contracts held with a Carrying Clearing Member; or (ii) an Identified Omnibus Net Segregated Clearing Client, an Affiliated Omnibus Net Segregated Clearing Client or a Combined Omnibus Gross Segregated Clearing Client to receive a transfer of some ~~of~~ all of such SwapClear Clearing Client's portfolio of SwapClear Contracts held with a Carrying Clearing Member, ~~which is otherwise not covered by~~ paragraph (b) of Regulation 60 (Transfer), the Receiving Clearing Member shall provide the Clearing House with a SwapClear Clearing Client Partial Transfer Form (see ~~Appendix 2C.K1~~Schedule 2).



signed by or on behalf of the relevant SwapClear Clearing Client. Such form shall list all of the Relevant SwapClear Contracts that are to be transferred pursuant to this Procedure. Following receipt of a SwapClear Clearing Client Partial Transfer Form, the Clearing House shall notify the Carrying Clearing Member that a request has been received to transfer SwapClear Contracts. All partial transfers shall take place in accordance with the timing and notice requirements set out in Procedure ~~2C.15.5.4.1.20.4(d)~~. In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House and the relevant Clearing Members, the relevant partial transfer shall not take effect.

In the event that any of the conditions set forth in paragraph ~~(d)~~ of Regulation ~~52C60 (Transfer)~~ are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain of the conditions have not been satisfied using the Carrying Clearing Member Response Form, the Clearing House shall not proceed with the transfer of the Relevant SwapClear Contracts and shall promptly notify the Receiving Clearing Member of such outcome. If the Receiving Clearing Member wishes to proceed with such transfer, it shall be required to submit a new request to transfer in accordance with these Procedures.

~~2C.15.5.2(b)~~ Full Transfers

Where, pursuant to ~~(i)~~ paragraph (b) of Regulation ~~52C,60 (Transfer)~~: (A) a Receiving Clearing Member wishes, on behalf of an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) to receive a transfer of all of the the relevant SwapClear Clearing Client's portfolio (and not less than an entire portfolio) of SwapClear Contracts registered in the Individual Segregated Account of such Individual Segregated Account Clearing Client with the Carrying Clearing Member in a particular Client Account; or (ii) paragraph (c) of Regulation 52C,B) a Receiving Clearing Member wishes, on behalf of each(i) all of the Identified Omnibus Net Segregated Clearing Client on behalf of whom the same Clients comprising a single Identified Client Omnibus Net Segregated Account held by a Carrying Clearing Member; (ii) all of the Affiliated Omnibus Net Segregated Clearing Clients comprising a single Affiliated Client Omnibus Net Segregated Account is held by a Carrying Clearing Member; or (iii) all of the Omnibus Gross Segregated Clearing Clients comprising a particular group of Combined Omnibus Gross Segregated Clearing Clients of a Carrying Clearing Member, to receive a transfer of all of the the entire portfolio (and not less than an entire portfolio) of SwapClear Contracts held in such Omnibus Net Segregated Account registered with the Carrying Clearing Member in a particular Client Account on behalf of the relevant SwapClear Clearing Clients, such Receiving Clearing Member shall provide the Clearing House with a SwapClear Clearing Client



Full Transfer Form (see ~~Appendix 2C.K.2~~, Schedule 3), in respect of (and signed by or on behalf of) each SwapClear Clearing Client on behalf of whom the relevant transfer would be made. Each such form shall confirm that all SwapClear Contracts attributable to the applicable SwapClear Clearing Client shall be transferred pursuant to this Procedure. —Where a Receiving Clearing Member submits a SwapClear Clearing Client Full Transfer Form, it must confirm whether or not the relevant SwapClear Clearing Client(s) also ~~wish(es)~~wishes to transfer the Associated Collateral Balance in respect of the relevant SwapClear Clearing Client. Following receipt of a SwapClear Clearing Client Full Transfer Form, the Clearing House shall notify the Carrying Clearing Member that a request has been received to transfer SwapClear Contracts. All full transfers shall take place in accordance with the timing and notice requirements set out in ~~Procedure 2C.15.5.4~~, Section 1.20.4(d). In the event that such timing and notice requirements are not complied with, and unless agreed otherwise between the Clearing House and the relevant Clearing Members, the relevant transfer shall not take effect.

In the event that any of the conditions set forth in paragraph (b) of Regulation 52C**60** (Transfer) are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied using the Carrying Clearing Member Response Form, the Clearing House shall not proceed with the transfer of the Relevant SwapClear Contracts or the transfer of ~~the~~any Associated Collateral Balance (when applicable) and shall promptly notify the Receiving Clearing Member of such outcome. — If the Receiving Clearing Member wishes to proceed with such transfer or any other transfer of ~~the~~—Relevant SwapClear Contracts of the SwapClear Clearing Clients referred to in ~~(i)~~(A) or ~~(ii)~~(B) in the preceding paragraph, it shall be required to submit a new request to transfer in accordance with these Procedures.

Following receipt by the Carrying Clearing Member of the notice that a SwapClear Clearing Client Full Transfer Form has been received, the Carrying Clearing Member shall not be permitted to submit additional SwapClear Contracts on behalf of the SwapClear Clearing Clients whose SwapClear Contracts are to be subject to transfer during the period commencing at the end of the SwapClear service operating hours on the day on which the relevant SwapClear Clearing Member received such notice and ending at the time at which the relevant transfer (including the transfer of ~~the~~any relevant Associated Collateral Balance, if applicable) is actually effected, fails or is rejected in accordance with Regulation ~~52C~~60 (Transfer) and these Procedures.

#### ~~2C.15.5.3~~(c) Collateral Transfers

Where a Receiving Clearing Member notifies the Clearing House that a SwapClear Clearing Client wishes to transfer an Associated Collateral Balance from the Carrying Clearing Member to the Receiving Clearing Member, the Clearing House shall notify the

Carrying Clearing Member of such request in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying Clearing Member shall confirm to the Clearing House (using the Carrying Member Response ~~form at Appendix 2C.K.3 Form~~) which ~~assets collateral will~~ comprise the Associated Collateral Balance attributable to the SwapClear Clearing Client(s) and to be transferred with the Relevant SwapClear Contracts. In the event that the Carrying Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall determine (in its sole discretion) the Associated Collateral Balance that is to be transferred from the relevant Client Account of the Carrying Clearing ~~Member's client account with LCH~~ Member. The Clearing House shall notify the Carrying Clearing Member and the Receiving Clearing Member of ~~any~~ the Associated Collateral Balance that will be transferred in accordance with the timetable below. Following receipt of such notification by the Clearing House, the Receiving Clearing Member may elect to reject the transfer of some or all of the relevant Associated Collateral Balance in accordance with paragraph (ed) of Regulation ~~52C.60 (Transfer)~~. The Clearing House shall transfer that part of the Associated Collateral Balance that has been identified ~~to~~ and consented to by the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer ~~such~~ the relevant Associated Collateral Balance, the Clearing House will not proceed with the transfer of the Relevant SwapClear Contracts.

In the event that any of the conditions set forth in paragraph (b) of Regulation ~~52(b) or 52C(e) (as applicable)~~60 are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied using the Carrying Clearing Member Response Form, such that the ~~related~~ associated Relevant SwapClear Contracts will not be transferred, the Clearing House shall not proceed with the transfer of the relevant Associated Collateral Balance. In such circumstances, the Clearing House will notify the Receiving Clearing Member that the Associated Collateral Balance will not be transferred and, in order to proceed with the transfer of the associated Relevant SwapClear Contracts, the Receiving Clearing Member will have to furnish to the Clearing House sufficient collateral in respect of the Relevant SwapClear Contracts.

In the event that the Clearing House transfers ~~any~~ an Associated Collateral Balance pursuant to these Procedures and the General Regulations, it will also transfer the aggregate balance held in respect of variation margin and next day settlement coupons and fees associated with the transferring Relevant SwapClear Contracts.

2C.15.5.4(d) Timetable for SwapClear Clearing Client Transfer

	<a href="#"><u>Time-Time</u></a> <a href="#"><u>(all</u></a> <a href="#"><u>references</u></a> <a href="#"><u>below are</u></a> <a href="#"><u>to London</u></a> <a href="#"><u>Time)</u></a>	<b>Partial Transfer</b>	<b>Full Transfer (with collateral)</b>	<b>Full Transfer (without collateral)</b>
(all references below are to London Time)				
	Day 0: 17:00	Deadline for receipt from Receiving Clearing Member of SwapClear Clearing Client Partial Transfer Form.	Deadline for receipt from Receiving Clearing Member of SwapClear Clearing Client Full Transfer Form and confirmation that Associated Collateral Balance is to be transferred.	Deadline for receipt from Receiving Clearing Member of SwapClear Clearing Client Full Transfer Form.
	Day 0: 19:00	Deadline for Clearing House to notify Carrying Clearing Member of receipt by Clearing House of SwapClear Clearing Client Partial Transfer Form.	Deadline for Clearing House to notify Carrying Clearing Member of receipt by Clearing House of SwapClear Clearing Client Full Transfer Form.	Deadline for Clearing House to notify Carrying Clearing Member of receipt

	<u>Time-Time</u> <u>(all references below are to London Time)</u>	<b>Partial Transfer</b>	<b>Full Transfer (with collateral)</b>	<b>Full Transfer (without collateral)</b>
(all references below are to London Time)				
				by Clearing House of SwapClear Clearing Client Full Transfer Form.
Day 1: 10:00	Deadline for:___ (i) notification by the Clearing House to the Carrying Clearing Member and the Receiving Clearing Member that it intends to transfer the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client pursuant to a request from the Receiving Clearing Member; and (ii) provision by the Clearing House of details to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant SwapClear Contracts to be transferred.	Deadline for:___ (i) notification by the Clearing House to the Carrying Clearing Member and the Receiving Clearing Member that it intends to transfer the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client pursuant to a request from the Receiving Clearing Member; and (ii) provision of details to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant SwapClear Contracts to be transferred.	Deadline for:___ (i) notification by the Clearing House to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant SwapClear Contracts to be transferred.	Deadline for: (i) notification by the Clearing House to the Carrying Clearing Member and the Receiving Clearing Member

<a href="#"><u>Time-Time</u></a> <a href="#"><u>(all references below are to London Time)</u></a>	<b>Partial Transfer</b>	<b>Full Transfer (with collateral)</b>	<b>Full Transfer (without collateral)</b>
(all references below are to London Time)			
			mbe r that it intends to transfer the Relevant SwapClearing Client pursuant to a request from the Receiving Clearing Member; and (ii) provision of

	<u>Time-Time</u> (all references below are to London Time)	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)				
				details to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant Swap Clear Contracts to be transferred.

	<u>Time-Time</u> (all references below are to London Time)	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)				
	Day 2: 12:00	Deadline for notification (if any) from Carrying Clearing Member that <del>it</del> is rejecting the transfer (in accordance with Regulation <del>52C60</del> (d)(v)).	Deadline for notification (if any) from Carrying Clearing Member that it is rejecting the transfer (in accordance with Regulation <del>52C60</del> (b)(v) or <del>52C60</del> (c)(v) (as applicable)).  <u>Deadline for confirmation from Carrying Clearing Member of the collateral which is to comprise the relevant Associated Collateral Balance(s) and be ported to the Receiving Clearing Member.</u>	Deadline for notification (if any) from Carrying Clearing Member that it is rejecting the transfer (in accordance with Regulation <del>52C60</del> (b)(v) or (c)(v) (as applicable)).
		<del>Deadline for confirmation from Carrying Clearing Member of the Associated Collateral</del>		

	<u><del>Time</del> Time</u> <u>(all references below are to London Time)</u>	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)				
		<del>Balance which is available to be transferred to the Receiving Clearing Member.</del>		
Day 2: 12:00 to 14:00			LCH notifies the Receiving Clearing Member of the Associated Collateral Balance that would be transferred.	
Day 2: 17:00	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts from the Receiving Clearing Member.	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Collateral Balance from the Receiving Clearing Member.	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts from the Receiving Clearing Member.	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts from the Receiving Clearing Member.



	<a href="#"><u>Time</u></a> <del>Time</del> <a href="#"><u>(all references below are to London Time)</u></a>	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)				
				r.
Day 3: 08:00	Target deadline for notification by Clearing House to the Carrying Clearing Member and/or the Receiving Clearing Member of whether any additional Collateral <del>is required</del> <a href="#"><u>needs to be transferred to the Clearing House</u></a> to enable the transfer.	Target deadline for notification by Receiving Clearing Member of whether any additional Collateral <del>is required</del> <a href="#"><u>needs to be transferred to the Clearing House</u></a> to enable the transfer.	Target deadline for notification by Receiving Clearing Member of whether any additional Collateral <del>is required</del> <a href="#"><u>needs to be transferred to the Clearing House</u></a> to enable the transfer.	Target deadline for notification by Clearing House to the Receiving Clearing Member of whether any additional Collateral <del>is required</del> <a href="#"><u>needs to be transferred to the Clearing House</u></a> to enable the transfer.

	<u><del>Time</del> Time</u> <u>(all references below are to London Time)</u>	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)				
				the transfer.
Day 3: 09:00	Deadline for receipt by Clearing House of any additional Collateral from the Carrying Clearing Member and/or the Receiving Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Collateral from the Receiving Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Collateral from the Receiving Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Collateral from the Receiving Clearing Member required to enable the transfer.
Day 3: 09:00	Clearing House transfers the Relevant SwapClear Contracts.	Clearing House transfers the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Collateral Balance.	Clearing House transfers the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Collateral Balance.	Clearing House transfers the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Collateral Balance.

	<a href="#"><u>Time-Time</u></a> <a href="#"><u>(all references below are to London Time)</u></a>	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)				
				SwapClear 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~~[member circular](#).

~~EARLY TERMINATION EVENTS~~

[In the case of a Carrying Clearing Member that is an FCM Clearing Member, the timings and processes in respect of a transfer of FCM SwapClear Contracts will be as set out in the FCM Procedures.](#)

1.21 Early Termination Events

SwapClear Clearing Members using MarkitWire, Tradeweb and Bloomberg may, if they so wish, use the Early Termination Provision FpML block to include details of any terms relating to optional early termination agreed between the parties to that SwapClear Transaction.

The Clearing House has agreed, in order to assist SwapClear Clearing Members, that SwapClear Clearing Members may use these fields for their own administrative convenience as a record of a term of the underlying SwapClear Transaction between them, but any data populating these fields will not under any circumstances constitute any part of or any term of the SwapClear Contracts which arise between the Clearing House and the SCMs in whose name such trades are registered. SCMs have no right to elect early termination of any SwapClear Contract. The full terms of any such SwapClear Contract are as set out in ~~Part A of the Schedule to the SwapClear Regulations~~[the Product Specific Contract Terms and Eligibility Criteria Manual](#).

The Clearing House does not store or record any data populating these fields or blocks or any other fields or blocks in the trade confirmation message which are ignored by the SwapClear system (see information documents provided by SwapClear entitled: ["The FpML Validation Rules for SwapClear"](#)).

~~"The FpML Validation Rules for SwapClear"~~

## ~~TERMINATION OF SWAPCLEAR CLEARING MEMBER AND SWAPCLEAR DEALER STATUS~~

### ~~Termination of SwapClear Clearing Member Status~~

~~Clearing Members should contact the Clearing House Membership Department (+44 (0)20 7426 7949; [membership@lchclearnet.com](mailto:membership@lchclearnet.com)) for details of how to resign from the SwapClear service.~~

### ~~2C.17.21.22~~ 1.22 **Termination of SwapClear Dealer s** Status

The SwapClear Dealer Agreement sets out how that relationship may be terminated.

In particular, a SwapClear Dealer may terminate the agreement by giving no less than twenty one (21) days' written notice in the same terms to the SCM and to the Clearing House. Before the expiry of such twenty one (21) days (the **"Termination Date"**), the Clearing House will notify all SwapClear Clearing Members and SwapClear Dealers that the relevant SD is no longer able, from such Termination Date to submit SwapClear Transactions for registration. It may only resume registration of SwapClear Transactions if it enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers. The Clearing House may give such notification by letter, email, fax, internet or telephone.

An SCM may terminate the agreement, *inter alia*, at any time by giving written notice to the SD and to the Clearing House in accordance with the provisions of the agreement. Following receipt of that notice, the Clearing House will confirm receipt to the SCM and SD and such termination will become effective 3 hours after the Clearing House's confirmation has been sent out. Confirmation may be given by the Clearing House by letter, email, fax, internet or telephone. Where notice is given to the Clearing House on a day which is not a business day for the SwapClear Service, it will become effective three (3) hours after the commencement of the SwapClear Service on the next following business day.

Following the receipt of a notice to terminate given by the SCM, the Clearing House will notify all SwapClear Clearing Members and SwapClear Dealers that the relevant SD is no longer able to submit SwapClear Transactions for registration until that SD enters into another SwapClear Dealer Clearing Agreement and resumes its place in the Register of SwapClear Dealers.

## ~~PAYMENT OF STAMP TAX~~

### 1.23 **Payment of Stamp Tax**

Each SwapClear Clearing Member shall pay any Stamp Tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a SwapClear Contract) by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (**"Stamp Tax Jurisdiction"**) 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 Clearing Membership Agreement,

the Regulations and the Procedures (including any registration of a SwapClear Contract) by any such Stamp Tax Jurisdiction or by any other jurisdiction.

## ~~2C.19~~ 1.24 ~~SECTION~~ Section 168, FINANCE ACT Finance Act 1994

Under section 696 Corporation Tax Act 2009 (~~“(“CTA 2009”);”~~), net payments in relation to certain derivative contracts (as defined in Section 576 CTA 2009) by any company (company "A") to a non-UK resident are denied UK tax relief unless one or more of the following conditions in section 697 CTA 2009 are met:

1.24.1 Company A is a bank, building society, financial trader or recognised clearing house acting as principal who has entered into the qualifying contract for the purposes of a UK trade;

1.24.2 The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade;

1.24.3 A double tax treaty, that makes provision for interest, is in force between the UK and the country of residence of the non-UK resident (or, if different, the country of residence of the beneficial counterparty to the contract); or

1.24.4 The Clearing House is considered a "recognised clearing house" as defined in section 285 of FSMA 2000.

Any contract which would otherwise fall within section 696 CTA 2009 must not be submitted to the Clearing House for clearing nor should any SwapClear Clearing Member knowingly permit any such contract to be submitted. Should this occur the SwapClear Clearing Member in whose name the contract is to be or has been registered must promptly notify the Clearing House and, in any event, within 30 days of that Clearing Member becoming aware of the situation. Having investigated the circumstances, the Clearing House has an obligation to notify the HM Revenue & Customs of the event and the Clearing House may, in its absolute discretion suspend any SwapClear Dealer submitting such a contract for registration for the Register of SwapClear Dealers. The Clearing House may also, in its absolute discretion take such action in respect of the SwapClear Clearing Member as it deems fit in accordance with the Regulations. The SwapClear Clearing Member shall indemnify the Clearing House against any Corporation Tax or any other tax levied or imposed upon the Clearing House in respect of any such contract, and any other costs and expenses incurred by the Clearing House in connection therewith.

If in doubt, Clearing Members should consult their professional advisers as to the potential application of sections 696 and 697 CTA 2009 to their transaction.

## ~~DEFAULT MANAGEMENT~~

### 1.25 Default Management

#### ~~2C.20.4~~ 1.25.1 *Portfolio Splitting*

As part of the SwapClear DMP, the Clearing House may divide an Auction ~~p~~Portfolio into two or more individual Auction Portfolios. In circumstances

where such portfolio splitting is adopted, the Clearing House will, in consultation with the SwapClear DMG, seek to create:

- (a) one or more individual ~~Sub~~sub-portfolios which have comparatively greater levels of risk associated with them, thereby isolating such ~~Sub~~sub-portfolios from those which are more risk neutral; and
- (b) one or more individual ~~Sub~~sub-portfolios which are more risk neutral.

~~2C.20.2~~1.25.2 *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:

- (a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same SwapClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a SwapClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

~~2C.20.3~~1.25.3 *Affiliate Bidding*

SwapClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where a SwapClear Clearing Member makes a bid and that SwapClear Clearing Member has an affiliated SwapClear Clearing Member or FCM Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding SwapClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated SwapClear Clearing Member or affiliated FCM Clearing Member.

A SwapClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated SwapClear Clearing Member or affiliated FCM Clearing Member. Where it wishes to do so, the

SwapClear Clearing Member should contact the Clearing ~~House's Membership Department~~House's Client Services Team (membership@lchclearnet.com; +44 (0)207 426 7949).

~~2C.20.41.25.4~~ Backup SwapClear Clearing Members

A SwapClear Clearing MembersClient may ~~nominate~~appoint a Backup ~~SwapClear Clearing Member~~ in respect for the purposes of at the porting of the SwapClear Clearing Client.

Where Contracts entered into by a SwapClear Clearing Member ~~nominate~~on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a ~~Backup~~ SwapClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a SwapClear Clearing Client, the Clearing House is entitled, in accordance with the ~~SwapClear DMP and following the default of the relevant SwapClear Clearing Member~~Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that ~~pre-nominated~~appointed Backup ~~SwapClear Clearing Member~~; † The Clearing House shall not require consent for ~~or~~ any person in advance of sending these details.

Note: ~~Nomination~~ The appointment by a SwapClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that SwapClear Contracts will always be transferred to that Backup Clearing Member. Porting of SwapClear Contracts, following a SwapClear Clearing ~~Member's default~~Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup ~~SwapClear Clearing Member.~~

~~A SwapClear Clearing Member that wishes to nominate a Backup SwapClear Clearing Member on behalf of a SwapClear Clearing Client should contact the Clearing House's Membership Department (membership@lchclearnet.com; +44 (0)207 426 7949).~~

~~2C.20.51.25.5~~ Default Fund: SwapClear Contributions

SwapClear Contributions (as defined in the Default ~~Fund~~ Rules) will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the SwapClear Contribution under S2(kp) of the Default ~~Fund~~ Rules (each a "SwapClear Reset Day"). ~~SwapClear Contribution requirements will be notified to SwapClear Clearing Members at least two working days prior to each SwapClear Reset Day on Member Intranet Report 000032.~~

Excess SwapClear Contribution amounts due to SwapClear Clearing Members following the adjustment to the SwapClear Contribution will be repaid to SwapClear Clearing Members' PPS accounts on the SwapClear Reset Day immediately following the adjustment to the SwapClear Contribution.

Interest on SwapClear Contributions will be paid to SwapClear Clearing Members' PPS accounts on the first working day after the SwapClear Reset Day following the end of the relevant "interest accrual period". Interest is

calculated in respect of each ~~“~~interest accrual period~~”~~, which commences on (and includes) a SwapClear Reset Day and ends on (and includes) the calendar day immediately before the next SwapClear Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on SwapClear Contributions is negative, interest shall be payable by SwapClear Clearing Members to the Clearing House.

~~2C.20.6~~1.25.6 *Quantifying SwapClear Contributions*

For the purposes of calculating the SwapClear Margin Weight under Rule S2(c) of the SwapClear Default Fund Supplement, the average daily requirement for initial margin applied to an SCM shall be determined by reference to the SwapClear Contracts comprising the SwapClear House Business of that SCM only. Nothing in the foregoing sentence shall prevent the Clearing House from introducing changes to the methodology used for calculating the SwapClear Margin Weight and, in particular, ~~with effect from 28 September 2012,~~ the average daily requirement for initial margin applied to an SCM for the purposes of such calculation ~~shall~~may be determined by reference to the SwapClear Contracts comprising both the SwapClear House Business and the SwapClear Client Clearing ~~Client~~ Business of that SCM.

~~2C.20.7~~1.25.7 *Outsourcing*

Pursuant to Section 1 (~~Membership~~Clearing Member and Dealer Status) of the Procedures, an SCM may appoint a third party to fulfil one or both of the Clearing House's Membership requirements to: (i) participate in a SwapClear ~~“~~fire drill~~”~~ run by the Clearing House; and (ii) participate in the SwapClear DMP operated by the Clearing House. Where an SCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- (a) a SwapClear Clearing Member;
- (b) an FCM Clearing Member;
- (c) an FCM Client or SwapClear Clearing Client;
- (d) any other entity that the Clearing House deems appropriate in its sole discretion.

Where an SCM wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (a) details of the third party entity that the SCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;



- (b)        evidence of the existence of a legally binding agreement between the SCM Clearing Member and the third party; and
- (c)        such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent.        In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an SCM successfully appoints an LCH Approved Outsourcing Agent, that SCMs may be subject to increased ~~margin~~ Collateral requirements to cater for the additional time required to invoke an outsourcing process in the event of a default.

SCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than SCMs (i.e. required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes).        In addition, the Clearing House may require an SCM that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice.        In the event of such a revocation, the relevant SCM shall be required to assume those responsibilities that were previously outsourced.        Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not relieve a SwapClear Clearing Member of its obligations in relation to a SwapClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the SwapClear DMP on behalf of an SCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that SCM.

#### ~~2C.20.8~~ 1.25.8 *SwapClear DMG*

The necessary involvement of SCMs and the SwapClear DMG in the SwapClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest.        To ensure that such potential conflicts are demonstrably contained, ~~Appendix 2C.N~~ Schedule 5 establishes binding

obligations of confidentiality, anonymity and the extent of dissemination of information on SCMs (and their executives or directors who participate from time to time in the SwapClear DMG) and on the Clearing House.

Each SCM who makes available a representative to serve on the SwapClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the SwapClear DMG complies with ~~Appendix 2C.N~~[Schedule 5](#) covering confidentiality, non-disclosure and other terms.

## **APPENDIX 2C-A**

### **~~SWAPCLEAR PROCESSING SCHEDULE~~**

#### **1.26 Provision of Tax Forms**

The Clearing House and each SwapClear Clearing Member shall provide to each SwapClear Clearing Member or the Clearing House, as relevant, (i) any forms or documents specified in the SwapClear Contract between the Clearing House and the SwapClear Clearing Member and (ii) any other form, document, statement or certification reasonably requested in writing by the SwapClear Clearing Member or the Clearing House in order to allow the SwapClear Clearing Member or the Clearing House to make a payment under the Clearing House rules or any SwapClear 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 SwapClear Clearing Member 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 SwapClear Contract between the Clearing House and the SwapClear Clearing Member. 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.

**SCHEDULE 1**  
**SWAPCLEAR PROCESSING SCHEDULE**

This table outlines the daily processes and timetable of the SwapClear operation. Clearing Members will be informed of changes to this timetable via member circular. ~~All time shown is London time.~~

<b>SWAPCLEAR PROCESSING SCHEDULE</b>	
<b>Time</b>	
07:30 <u>(London time)</u>	SwapClear Opens
<del>by 09:30</del>	<del>Registration of Backloaded trades and confirmation of deleted trades from T-1 (see section 2C.3.6)</del>
16:00 <u>(London time)</u>	Deadline for PPS calls in London
<u>16:00</u> <u>(New York time)</u>	<u>Deadline for PPS calls in New York</u>
<del>22</del> 19:00 <u>(New York time)</u>	SwapClear Closes

**APPENDIX 2C.B**

**~~INTRA-DAY COLLATERAL LODGEMENT FORM~~**



**SCHEDULE 2**  
**SWAPCLEAR CLEARING CLIENT – PARTIAL TRANSFER FORM**

Version 1: Oct 2009

LCH.Clear  
net  
Limited  
Ref No:

~~XX??~~



**SWAPCLEAR CLEARING CLIENT -  
PARTIAL TRANSFER FORM**

IV.1  
2011

*Terms used in this form are as defined in LCH.Clearnet Limited's Rulebook unless defined herein*

**To:**        LCH.Clearnet Limited

**From:**     Receiving Clearing Member

**Date:**

---

We.....[insert name of Receiving Clearing Member] (the "Receiving Clearing Member") have received a request from ..... [insert name of transferring SwapClear Clearing Client] (the "SwapClear Clearing Client") to transfer (i) in the case of a SwapClear Clearing Client which is an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client), part of its portfolio of SwapClear Contracts; and (ii) in the case of a SwapClear Clearing Client which is an Identified Omnibus Net Segregated Clearing Client, an Affiliated Omnibus Net Segregated Clearing Client or a Combined Omnibus Gross Segregated Clearing Client, part or all of its portfolio of SwapClear Contracts, from ....[insert name of Carrying Clearing Member] to us. We hereby request the transfer of the SwapClear Contracts as identified below pursuant to Regulation 60(c) and the Procedures.

**OR**

We .....[insert name of Receiving Clearing Member] (the "Receiving Clearing Member") are an Individual Segregated Account Clearing Client or an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) and a SwapClear Clearing Member and are writing in both such capacities to request the transfer of part of our portfolio of SwapClear Contracts from our Carrying Clearing Member to our Proprietary Account. We hereby request the transfer of the SwapClear Contracts as identified below pursuant to Regulation 60(c) and the Procedures.

---

Please insert the LCH trade IDs of the transferring SwapClear Contracts, using the Schedule below:

\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring SwapClear Contracts.

\*\*Please append a list of additional SwapClear Contracts to this form, if required

<u>LCH Trade ID</u>	<u>ATS Trade ID</u>

**Signatories for and on behalf of the Receiving Clearing Member:**

We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving Clearing Member

1.

<u>(Authorised Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>Date</u>
-------------------------------	-------------	-----------------	-------------

2.

<u>(Authorised Signatory)</u>	<u>Name</u>	<u>Position</u>	<u>Date</u>
-------------------------------	-------------	-----------------	-------------

**Signatories for and on behalf of the transferring SwapClear Clearing Client:**

To: Receiving Clearing Member

We acknowledge and confirm:

- i. the request to transfer as detailed above;
- ii. that LCH.Clearnet Limited will contact our Carrying Clearing Member in relation to this transfer and will disclose our identity to such Carrying Clearing Member;
- iii. that, in accordance with the Clearing House's Rulebook, LCH.Clearnet Limited is entitled to rely conclusively on the instructions and information received from the Receiving Clearing Member and the Carrying Clearing Member and shall have no liability or responsibility therefor;
- iv. that the transfer detailed above may require that additional collateral be transferred to LCH.Clearnet Limited (and/or by us to the Receiving Clearing Member listed above and/or by us to our Carrying Clearing Member), and that LCH.Clearnet Limited is not required to effect the transfer if it has not received adequate Collateral in respect of the transfer or if any of the other conditions set forth in the Clearing House's Rulebook applicable to the transfer are unsatisfied;

v. that in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Clearing House's Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in sub-paragraph (vii) of Regulation 60(c); and  
vi. that we are authorised to make these acknowledgements and confirmations and do so on behalf of the SwapClear Clearing Client listed above in accordance with the Regulations.

For and on behalf of the SwapClear Clearing Client:

\_\_\_\_\_  
Authorised signatory

\_\_\_\_\_  
Authorised signatory

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Telephone: +44 (0) 207 426 7651 or +1 212 513 8265

SwapClear Client Services  
Aldgate House  
33 Aldgate High Street  
London EC3N 1EA

SwapClear Client Services  
17 State Street  
New York NY 10004  
USA

To: LCH.Clearnet Limited (the "Clearing House"), Treasury Department  
([semcollateral@lchclearnet.com](mailto:semcollateral@lchclearnet.com))

From: Clearing Member (full name):

Client Account#:

Mnemonic:

~~We confirm that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.~~



We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security (Issue—Coupon—Maturity)

Delivery from:      Depository/Agent: .....

(for US Securities, Broker Code) .....

Account Holder .....

Account Number .....

Delivery to (please indicate) .....

Depository	Euroclear €	Euroclear (ITL tax exempt)	CRESTC €	Citibank (US owners)	Citibank (non-US owners)
Clearing House Account No	91205	91737	5165	090401	090372

Signatories for and on behalf of the Clearing Member:

1-      .....  
             (Signature)                      (Print Name)                      (Position)

2-      .....  
             (Signature)                      (Print Name)                      (Position)

Date: .....

To: **~~THE ABOVE-NAMED CLEARING HOUSE~~**

~~We accept the above-mentioned securities for inclusion in The Schedule of "Specified Securities" charged to us under your above-mentioned charge.~~

~~For and on behalf of LCH  
Clearnet Limited~~

~~Date:~~

~~Time:~~

~~(Authorised Signatory):~~

**APPENDIX 2C-G**

**INTRA-DAY HOUSE NON-CASH EXCESS TRANSFER FORM**



Version 1: Oct 2009

~~Completed forms should be sent to the Clearing House Treasury Department (semcollateral@lchclearnet.com).~~

~~From: Clearing Member (full name) House Account: \_\_\_\_\_~~

~~To: **Client Account** **Mnemonic:** \_\_\_\_\_~~

~~**Lodgment Ref:** \_\_\_\_\_~~

~~We confirm that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

<b>Security Code Number</b>	<b>Settlement Date</b>	<b>Amount/Nominal Value</b>	<b>Description of Security (Issue—Coupon—Maturity)</b>

Signatories for and on behalf of the Clearing Member:

1. \_\_\_\_\_  
(Signature) (Print Name) (Position)

2. \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

**APPENDIX 2C.D**

**INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM**



Version 1: Oct 2009

~~Completed forms should be sent to the Clearing House Treasury Department ([semcollateral@lchclearnet.com](mailto:semcollateral@lchclearnet.com)).~~

~~From: Clearing Member (full name) House Account:~~

~~To: Client Account Mnemonic:~~

~~We wish to transfer the following amount of cash collateral from our House account to the Additional Collateral Account as detailed above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.~~

Amount

Signatories for and on behalf of the Clearing Member:

1.

.....  
(Signature)

.....  
(Print Name)

.....  
(Position)

2.

.....  
(Signature)

.....  
(Print Name)

.....  
(Position)

Date: \_\_\_\_\_

**APPENDIX 2C-E**

**ADDITIONAL COLLATERAL ACCOUNT LODGEMENT FORM**



Version 1: Oct 2009

LCH.Clearnet Limited Ref No: ~~XX??~~

~~Completed forms should be sent to the Clearing House Treasury Department (semcollateral@lchclearnet.com)~~

To: LCH.Clearnet Limited (the "Clearing House")

From: Clearing Member (full name):

**Additional Collateral Account**

**Mnemonic:**

~~\*Please delete as appropriate~~

~~We confirm that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

<b>Security Code Number</b>	<b>Settlement Date</b>	<b>Trade Date</b>	<b>Amount/Nominal Value</b>	<b>Description of Security (Issue—Coupon—Maturity)</b>

Delivery from: Depository/Agent: \_\_\_\_\_

(for US Securities, Broker Code) \_\_\_\_\_

Account Holder \_\_\_\_\_

Account Number \_\_\_\_\_

Delivery to (please indicate)

<b>Depository</b>	<b>Euroclear</b>	<b>Euroclear (ITL tax exempt)</b>	<b>CRESTCo</b>	<b>Citibank (US owners)</b>	<b>Citibank (non-US owners)</b>
<b>Clearing House Account No</b>	91205	91737	5165	090401	090372

Signatories for and on behalf of  
the Clearing Member:

1- \_\_\_\_\_  
(Signature) (Print Name) (Position)

2- \_\_\_\_\_  
(Signature) (Print Name) (Position)

Date: \_\_\_\_\_

---

To: **THE ABOVE-NAMED CLEARING HOUSE**

~~We accept the above-mentioned securities for inclusion in The Schedule of "Specified Securities" charged to us under your above-mentioned charge.~~

~~For and on behalf of LCH  
Clearnet Limited~~

~~Date: \_\_\_\_\_ Time: \_\_\_\_\_~~

~~(Authorised Signatory): \_\_\_\_\_~~

**APPENDIX 2C.F**

**INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT NON-CASH TRANSFER  
FORM**



Version 1: Oct 2009

~~Completed forms should be sent to the Clearing House Treasury Department  
([semcollateral@lchclearnet.com](mailto:semcollateral@lchclearnet.com))~~

Clearing Member (full name):

Mnemonic:

.....  
.....

**Lodgment Ref:**

.....

From: ~~Additional Collateral Account~~ or ~~Client Account\*~~

\*Please delete as appropriate

To: ~~Additional Collateral Account~~ or ~~Client Account\*~~

.....  
.....

~~We confirm that (i) we are the sole and beneficial owner of these securities; or (ii) these securities are furnished or deposited with the legal and beneficial owner's unconditional consent and free of such owner's interest.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

Security Code Number	Settlement Date	Amount/Nominal Value	Description of Security (Issue—Coupon— Maturity)

~~Signatories for and on  
behalf of the Clearing  
Member:~~

~~1.~~

~~\_\_\_\_\_~~  
~~(Signature)~~

~~\_\_\_\_\_~~  
~~(Print Name)~~

~~\_\_\_\_\_~~  
~~(Position)~~

~~2.~~

~~\_\_\_\_\_~~  
~~(Signature)~~

~~\_\_\_\_\_~~  
~~(Print Name)~~

~~\_\_\_\_\_~~  
~~(Position)~~

~~Date:~~

~~\_\_\_\_\_~~



**APPENDIX 2C.G**

**~~INTRA-DAY ADDITIONAL COLLATERAL ACCOUNT CASH TRANSFER FORM~~**



Version 1: Oct 2009

~~Completed forms should be sent to the Clearing House Treasury Department ([semcollateral@lchclearnet.com](mailto:semcollateral@lchclearnet.com))~~

Clearing Member (full name):

Mnemonic:

Lodgment Ref:

.....  
.....  
.....

From: ~~Additional Collateral Account~~ or ~~Client Account~~

~~\*Please delete as appropriate~~

To: ~~Additional Collateral Account~~ or ~~Client Account~~

.....

~~We wish to transfer the following amount of cash collateral from the account specified above to the account specified above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.~~

Amount

~~Signatories for and on behalf of the Clearing Member:~~

~~1.~~

~~.....  
(Signature)~~

~~.....  
(Print Name)~~

~~.....  
(Position)~~

~~2.~~

~~.....  
(Signature)~~

~~.....  
(Print Name)~~

~~.....  
(Position)~~

~~Date:~~

~~.....~~

**APPENDIX 2C.H**

**ADDITIONAL COLLATERAL ACCOUNT SPREADSHEET**

Additional Collateral (Client) Account Spreadsheet										Issue Date		04/05/2010			
<b>Example</b>															
Collateral Funded Date	SCM mnemonic	Scmname	Client	Collgroup	Collgroupdescription	Currency	Bankcode	Bankname	Price	Nominal value	Cover value	Value Date	Expiry date	ISIN	
26/10/2009	XXX	XXX Bank	ABC	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	146.80	14,000,000.00	19216120	20/08/2009	27/10/2023	IT0000366655	
27/10/2009	XXX	XXX Bank	ABC	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	114.03	16,000,000.00	17058888	21/04/2009	28/04/2031	IT0001444378	
27/10/2009	XXX	XXX Bank	ABC	CASH	CASH	EUR	870001	XXXX		1,000,000.00					
28/10/2009	XXX	XXX Bank	XYZ	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	103.37	10,000,000.00	9820150	07/05/2009	28/01/2020	IT0003644769	
26/10/2009	XXX	XXX Bank	EFG	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	146.80	14,000,000.00	19216120	20/08/2009	27/10/2023	IT0000366655	
27/10/2009	XXX	XXX Bank	EFG	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	114.03	16,000,000.00	17058888	21/04/2009	28/04/2031	IT0001444378	
27/10/2009	XXX	XXX Bank	EFG	CASH	CASH	GBP	870001	XXXX		5,000,000.00					
<b>Total "A" account holdings</b>						<b>???</b>									
<b>Please fill in the following:</b>															
Collateral Funded Date	SCM mnemonic	Scmname	Client	Collgroup	Collgroupdescription	Currency	Bankcode	Bankname	Price	Nominal value	Cover value	Value Date	Expiry date	ISIN	
<b>Total "A" account holdings</b>						<b>???</b>									

**APPENDIX 2C.1**

**~~CLEARING DEED OF ASSIGNMENT~~**

~~[Insert Date]~~

~~[CLEARING MEMBER]~~

~~and~~

~~[CLIENT]~~

~~and~~

~~LCH.CLEARNET LIMITED~~

**~~DEED OF ASSIGNMENT~~**

**THIS DEED** is dated [*Insert Date*] and made between:

- (1) ~~— [CLEARING MEMBER] in its capacity as assignor (the “Assignor”);~~
- (2) ~~— [CLIENT] in its capacity as assignee (the “Assignee”); and~~
- (3) ~~— LCH.CLEARNET LIMITED in its capacity as recipient of the notice of assignment pursuant to Clause 4.2 (“LCH.Clearnet”).~~

**WHEREAS:**

- (A) ~~— In order to facilitate the clearing of certain transactions with LCH.Clearnet, the Assignor and Assignee have entered into the Client Clearing Agreement dated [*Insert Date*] (the “Client Clearing Agreement”) pursuant to which they will have entered into as of such date the Clearing ISDA Master Agreement (as defined in the Client Clearing Agreement). In addition, the parties have, pursuant to the Client Clearing Agreement, entered into a Credit Support Annex in respect of, and which forms part of, the Clearing ISDA Master Agreement (the Clearing ISDA Master Agreement together with such Credit Support Annex and the Client Clearing Agreement, the “Swap Agreement”).~~
- (B) ~~— The Assignor and Assignee, for commercial and economic reasons, desire to maximise the ability to move positions represented by Transactions under the Swap Agreement to a Backup SwapClear Clearing Member upon an Enforcement Event (defined below) and to deliver certain receivables from LCH.Clearnet to the Assignee directly.~~
- (C) ~~— LCH.Clearnet has agreed to be a party to this Deed solely for the purpose of Clause 4.2 [and Clause 4.4].~~

**It is agreed** as follows:

**1. Definitions and Interpretation**

**Definitions:**

- 1.1 ~~— Capitalised terms used but not defined in this Deed shall have the meaning given to them in the Swap Agreement. In addition, the following expressions shall have the following meanings:~~

~~“Assigned Assets” means the assets subject, or expressed to be subject, to the Assignment or any part of those assets.~~

~~“Assignment” means the assignment created or expressed to be created by this Deed.~~

~~“Client Clearing Agreement” has the meaning given to it in Recital (A) to this Deed.~~

~~“Enforcement Event” means the occurrence of an Early Termination Date under the Swap Agreement as a result of a Clearing Default.~~

~~“Insolvency Act” means the Insolvency Act 1986.~~

~~“**Liabilities**” means all present and future obligations, moneys, debts and liabilities due, owing or incurred by the Assignor to the Assignee under or in connection with the Swap Agreement.~~

~~“**LPA**” means the Law of Property Act 1925.~~

~~“**Relevant Account Balance**” means the Account Balance (as defined in the LCH Rules) relating to the Assignee and the Associated LCH Transactions determined by LCH.Clearnet following a Clearing Default in accordance with the LCH Rules.~~

~~“**Relevant SwapClear Clearing Client Entitlement**” means the SwapClear Clearing Client Entitlement (as defined in the LCH Rules) relating to the Assignee and the Associated LCH Transactions determined by LCH.Clearnet following a Clearing Default in accordance with the LCH Rules.~~

~~“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.~~

~~“**Swap Agreement**” has the meaning given to it in Recital (A) to this Deed.~~

~~“**Transaction Documents**” means this Deed and the Swap Agreement.~~

~~“**UCC**” means the Uniform Commercial Code as in effect in any applicable jurisdiction.~~

## 4.2 ~~Construction:~~

4.2.1 ~~Unless a contrary indication appears, any reference in this Deed to:~~

- ~~(i) “**assets**” includes present and future properties, revenues and rights of every description;~~
- ~~(ii) the “**Assignor**”, the “**Assignee**” or any “**party**” shall be construed so as to include its successors in title and permitted transferees;~~
- ~~(iii) an agreement, confirmation or instrument is to a reference to that agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced;~~
- ~~(iv) a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);~~
- ~~(v) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and~~
- ~~(vi) a provision of law is a reference to that provision as amended or re-enacted.~~

~~1.2.2 Clause and Schedule headings are for ease of reference only.~~

## ~~2. Undertaking to pay~~

~~The Assignor undertakes to pay each of its Liabilities when due in accordance with its terms.~~

## ~~3. Security~~

~~The Assignor, with full title guarantee [and as security for the payment of all Liabilities]<sup>†</sup>, assigns absolutely to the Assignee all its present and future right, title and interest in and to the Relevant SwapClear Clearing Client Entitlement and the Relevant Account Balance.~~

## ~~4. Restrictions and Further Assurance~~

~~4.1 **Security:** The Assignor agrees that it shall not create or permit to subsist any Security over any Assigned Assets except for the Assignment.~~

~~4.2 **Notice of Assignment and Undertaking:** The Assignor hereby gives notice of the Assignment to LCH.Clearnet. LCH.Clearnet hereby acknowledges receipt of such notice and undertakes to the other parties hereto that it shall, following the occurrence of a Clearing Default, act in accordance with the LCH Rules and any other laws and regulations applicable to it in determining how the Assigned Assets are to be distributed.~~

~~The parties hereto acknowledge and agree that LCH.Clearnet has agreed to be a party to this Deed solely for the purposes of this Clause 4.2 [and to receive the written evidence referred to in Clause 4.4] and shall have no other obligation or liability save as expressly provided in Clause 4.2 [and Clause 4.4]. In particular, the parties agree that the undertaking given by LCH.Clearnet in this Clause 4.2 shall be without prejudice to any protections afforded to it pursuant to the LCH Rules or any other laws and regulations applicable to it.~~

~~4.3 **Margining:** The Assignor agrees that, prior to the operation of Clause 9.1, it shall provide margin in respect of any Associated LCH Transactions to LCH.Clearnet on [an Individual Segregated Account basis]/[an Omnibus Net Segregated Account basis]<sup>2</sup> in accordance with (and as defined in) the LCH Rules.~~

~~4.4 **[UCC Financing Statement:** The Assignor hereby authorises the filing of a financing statement describing the Assigned Assets in the filing office of Assignor's location as determined by Section 9-307 of the UCC and the Assignee hereby agrees to (a) file such financing statement within [10 Business Days] of the date hereof and (b) provide the Assignor and LCH.Clearnet with a copy of the relevant filed Form UCC-1.]<sup>3</sup>~~

~~4.5 **Assignor's Undertaking:** The Assignor undertakes to the Assignee that it shall not, without the prior written consent of the Assignee to such amendment, vote in favour of any amendment to Regulation 52B of the LCH Rules or the SwapClear DMP Annex to the Default Rules of LCH.Clearnet (to the extent any such vote is required)~~

<sup>†</sup> The language in brackets should not be included where the relevant Clearing Member is organised under the laws of Germany.

<sup>2</sup> Delete as applicable.

<sup>3</sup> This covenant must be included if the Assignor is organised under the laws of the United States of America or any state thereof or located in any such jurisdiction for purposes of Section 9-307 of the UCC.

~~in either case the effect of which amendment would be to (a) amend the terms of the Assigned Assets hereunder or thereunder or (b) amend the terms on which the Assigned Assets may be dealt with following the occurrence of a Clearing Default.~~

## ~~5. Payments~~

~~5.1 **No Enforcement Event:** Subject as otherwise provided in this Deed, and for so long as no Enforcement Event has occurred, the Assignor shall be entitled to receive and retain all payments or transfers made to it in respect of the relevant [Individual Segregated Account]/[Omnibus Net Segregated Account]<sup>4</sup> in accordance with the LCH Rules. For the avoidance of doubt the Assignor shall not be entitled to deal with the Assigned Assets at any time while the Assignment is in effect.~~

~~5.2 **Post Enforcement Event:** Following the occurrence of an Enforcement Event, the Assignee shall be entitled to receive directly from LCH.Clearnet all Assigned Assets and payments or transfers made in respect of an Assigned Asset.~~

## ~~6. Enforcement and Remedies~~

~~6.1 **Enforcement Event:** As between the Assignor and the Assignee, the Security created on the date hereof shall only be enforceable, and the powers conferred by Section 101 of the LPA as varied and extended by this Deed shall only be exercisable, following the occurrence of an Enforcement Event.~~

~~6.2 **Power of Sale:** The statutory power of sale and the other statutory powers conferred on mortgagees by Section 101 of the LPA as varied and extended by this Deed shall arise on the date of this Deed.~~

~~6.3 **Section 103 LPA:** Section 103 of the LPA shall not apply to this Deed.~~

## ~~7. Provisions Relating to Assignee~~

~~7.1 **Assignee's Rights:** At any time after the occurrence of an Enforcement Event, the Assignee shall have the rights set out in the Schedule hereto.~~

~~7.2 **Application of Proceeds:** Subject to Clause 9.1, all amounts or assets received or recovered by the Assignee in the exercise of its rights under this Deed shall be applied in the following order: (i) in or towards the payment of the Liabilities in such order as the Assignee thinks fit, but in any case acting in good faith and in a commercially reasonable manner, and (ii) in payment of any surplus to the Assignor.~~

~~7.3 **Power of Attorney:** The Assignor by way of security irrevocably appoints the Assignee as its attorney (with full power of substitution), on its behalf and in its name or otherwise, in such manner as the attorney thinks fit, but in any case acting in good faith and in a commercially reasonable manner, to exercise (following the occurrence of an Enforcement Event only) any of the rights conferred on the Assignee in relation to the Assigned Assets or under the LPA or the Insolvency Act. The Assignor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in this Clause 7.3.~~

## ~~8. Saving Provisions~~

---

<sup>4</sup> Delete as applicable.

~~8.1 — **Continuing Security:** Subject to Clause 9, the Assignment is continuing security and will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.~~

~~8.2 — **Reinstatement:** If any discharge, release or arrangement (whether in respect of the obligations of the Assignor or any security for those obligations or otherwise) is made by the Assignee in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation or otherwise, without limitation, then the liability of the Assignor and the Assignment shall continue or be reinstated as if the discharge, release or arrangement had not occurred.~~

~~8.3 — **Waiver of Defences:** Neither the obligations of the Assignor under this Deed nor the Assignment will be affected by an act, omission, matter or thing which, but for this Clause 8, would reduce, release or prejudice any of its obligations under any Transaction Document or the Assignment (without limitation and whether or not known to it or the Assignee) including:~~

~~8.3.1 — any time, waiver or consent granted to, or composition with, the Assignor or other person;~~

~~8.3.2 — the release of the Assignor or any other person under the terms of any composition or arrangement with any creditor of any affiliate;~~

~~8.3.3 — the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Assignor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;~~

~~8.3.4 — any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Transaction Document or any other document or security; or~~

~~8.3.5 — any insolvency or similar proceedings.~~

~~8.4 — **Immediate Recourse:** The Assignor waives any right it may have of first requiring the Assignee (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Assignor under this Deed. This waiver applies irrespective of any law or any provision of a Transaction Document to the contrary.~~

~~8.5 — **Additional Security:** The Assignment is in addition to and is not in any way prejudiced by any other guarantees or security now or subsequently held by the Assignee.~~

## ~~9. — **Discharge of Security**~~

~~9.1 — **Final Redemption:** Immediately upon there no longer being any Liabilities remaining (or, if earlier, immediately upon it no longer being possible for an Enforcement Event to occur), the Assignee shall be deemed to have immediately released, reassigned or discharged (as appropriate) the Assigned Assets from the Assignment and therefore:~~

~~9.1.1 — the Assignor may retain for its own account; and~~



~~9.1.2 — the Assignee shall therefore promptly pay or transfer to the Assignor,~~

~~any amounts or other assets received by such party from LCH.Clearnet in respect of the Assigned Assets. For the avoidance of doubt, it is acknowledged that the Assignor's rights under this Clause 9 shall constitute an equity of redemption (and therefore a proprietary interest to the extent of such equity of redemption) in the Assigned Assets and any amounts or other assets the subject of such rights shall be returned by the Assignee to the Assignor.~~

~~9.2 — **Consolidation:** Section 93 of the LPA shall not apply to the Assignment.~~

#### ~~10. — **Miscellaneous Provisions**~~

~~10.1 — **Payments:** All payments by the Assignor under this Deed (including damages for its breach) shall be made to such account, with such financial institution and in such other manner as the Assignee may direct.~~

~~10.2 — **Remedies and Waivers:** No failure to exercise, nor any delay in exercising, on the part of the Assignee any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.~~

~~10.3 — **Amendments and Waivers:** Any term of this Deed may be amended or waived only with the consent of the Assignee and the Assignor.~~

~~10.4 — **Assignment:** Subject to the extent permitted by applicable law, neither this Deed nor any interest or obligation in or under it may be assigned or otherwise transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party.~~

~~10.5 — **Partial Invalidity:** If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.~~

~~10.6 — **Third Party Rights:** A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.~~

~~10.7 — **Counterparts:** This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.~~

~~10.8 — **Governing Law:** This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.~~

~~10.9 — **Jurisdiction:** In relation to any proceedings, each party to this Deed irrevocably submits to the exclusive jurisdiction of the courts of England and waives any objection to proceedings in such courts on the grounds of venue or on the grounds that the proceedings have been brought in an inconvenient forum. Each such submission is made for the benefit of the other party and shall not affect the right of any party to take proceedings in any other court of competent jurisdiction nor shall~~

~~the taking of proceedings in any court of competent jurisdiction preclude any party from taking proceedings in any other court of competent jurisdiction (whether concurrently or not) unless precluded by law.~~

~~10.10 **[Agent for Service of Process; Assignor:** The Assignor hereby irrevocably appoints *[Name of Agent]* of *[Address in England]* to receive service of process on its behalf as its authorised agent for service of process in England. If for any reason such agent ceases to be such agent for service of process, the Assignor shall forthwith appoint a new agent for service of process in England and deliver to the Assignee a copy of the new agent's acceptance of appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other matter permitted by law.]~~

~~10.11 **[Agent for Service of Process; Assignee:** The Assignee hereby irrevocably appoints *[Name of Agent]* of *[Address in England]* to receive service of process on its behalf as its authorised agent for service of process in England. If for any reason such agent ceases to be such agent for service of process, the Assignee shall forthwith appoint a new agent for service of process in England and deliver to the Assignor a copy of the new agent's acceptance of appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other matter permitted by law.]~~

## Schedule

### Rights of Assignee

~~Following the occurrence of an Enforcement Event, the Assignee shall have the right, either in its own name or in the name of the Assignor or otherwise and in such manner and upon such terms and conditions as the Assignee thinks fit, but in any case, acting in good faith and in a commercially reasonable manner, and either alone or jointly with any other person:~~

- ~~1. **Take possession:** to take possession of, get in and collect the Assigned Assets and to require payment to it of revenues deriving therefrom;~~
- ~~2. **Deal with Assigned Assets:** to sell, transfer, assign, exchange or otherwise dispose of or realise the Assigned Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);~~
- ~~3. **Borrow money:** to borrow or raise money either unsecured or on the security of the Assigned Assets (either in priority to the Assignment or otherwise);~~
- ~~4. **Rights of ownership:** to manage and use the Assigned Assets and to exercise and do (or permit the Assignor or any nominee of it to exercise and do) all such rights and things as the Assignee would be capable of exercising or doing if it were the absolute beneficial owner of the Assigned Assets;~~
- ~~5. **Claims:** to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person relating to the Assigned Assets;~~
- ~~6. **Legal actions:** to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Assigned Assets;~~
- ~~7. **Redemption of Security:** to redeem any Security (whether or not having priority to the Assignment) over the Assigned Assets and to settle the accounts of any person with an interest in the Assigned Assets; and~~
- ~~8. **Other powers:** to do anything else it may think fit for the realisation of the Assigned Assets or incidental to the exercise of any of the rights conferred on the Assignee under or by virtue of any Transaction Document, the LPA or the Insolvency Act;~~

~~This Deed has been delivered on the date stated at the beginning of this Deed.~~

~~[ASSIGNOR]~~

~~[INSERT APPROPRIATE SIGNATURE BLOCK]~~

~~[ASSIGNEE]~~

~~[INSERT APPROPRIATE SIGNATURE BLOCK]<sup>†</sup>~~

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<sup>†</sup>Parties should ensure that suitable signature blocks are inserted, which will depend on the legal identity, jurisdiction of incorporation and constitutional documents relating to the parties.

~~[Signed as a deed by~~

~~**LCH.CLEARNET LIMITED**~~

~~acting by its attorney \_\_\_\_\_ [signature of attorney]~~

~~[NAME OF ASSIGNOR (ATTORNEY)]~~

~~in the presence of:~~

~~[signature of witness]~~

~~[name and address of witness]<sup>2</sup>~~

~~[Executed as a deed by~~

~~**LCH.CLEARNET LIMITED**~~

~~By: [Director] By: [Director/Company Secretary]<sup>3</sup>~~

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<sup>2</sup>-Use if the Assignor has a power of attorney to sign on behalf of LCH.Clearnet.

<sup>3</sup>-Use if LCH.Clearnet intend to execute the Deed themselves.

**APPENDIX 2C.J**

**~~CLEARING DEED OF ASSIGNMENT~~**

~~[Insert Date]~~

~~[CLEARING MEMBER]~~

and

**LCH.CLEARNET LIMITED**

**~~DEED OF ASSIGNMENT~~**

**THIS DEED** is dated [*Insert Date*] and made between:

- ~~(1) — [CLEARING MEMBER] in its capacity as assignor (the “Assignor”); and~~
- ~~(2) — LCH.CLEARNET LIMITED in its capacity as the clearing house (in such capacity, the “Clearing House”) and in its capacity as the assignee and security trustee under this Deed (in such capacity, the “Security Trustee”).~~

**WHEREAS:**

- ~~(A) — In order to facilitate the clearing of certain transactions with the Clearing House, the Assignor has entered into agreements with one or more of its clients (each a “Client” and each such agreement a “Client Clearing Agreement”) pursuant to which the Assignor and the relevant Client will have entered into as of the date of such Client Clearing Agreement a Clearing ISDA Master Agreement (as defined in the relevant Client Clearing Agreement). In addition, the Assignor and the relevant Client have, pursuant to the relevant Client Clearing Agreement, entered into a Credit Support Annex in respect of, and which forms part of, the relevant Clearing ISDA Master Agreement (each such Clearing ISDA Master Agreement together with the related Credit Support Annex and the related Client Clearing Agreement, a “Swap Agreement”).~~
- ~~(B) — The Assignor and each Client, for commercial and economic reasons, desire to maximise the ability to move cleared positions representing Transactions under the relevant Swap Agreement to a Backup SwapClear Clearing Member upon the occurrence of an Enforcement Event (as defined below) or to deliver certain receivables from the Clearing House to the relevant Client directly.~~
- ~~(C) — The Security Trustee has agreed to act as the security trustee in accordance with the provisions of this Deed.~~

**IT IS AGREED** as follows:

**1. — Definitions and Interpretation**

**1.1 — Definitions**

Capitalised terms used but not defined in this Deed shall have the meaning given to them in the LCH Rules. In addition, the following expressions shall have the following meanings:

~~“Assigned Assets” means the assets subject, or expressed to be subject, to the Assignment or any part of those assets.~~

~~“Assignment” means the assignment created or expressed to be created by this Deed.~~

~~“Associated LCH Transaction” means the SwapClear Contract, as defined in the LCH Rules, entered into between the Assignor and the Clearing House.~~

~~“Clearing Default” means the Assignor becoming a defaulter for the purposes of Rule 4 of the LCH Default Rules.~~

~~“Client” has the meaning given to it in Recital (A) to this Deed, save that a person shall not be a “Client” for the purposes of this Deed unless the notification provided for in Clause 7.2 has been made and has not been withdrawn.~~

~~“Client Clearing Agreement” has the meaning given to it in Recital (A) to this Deed.~~

~~“Enforcement Event” means the occurrence of a Clearing Default in relation to the Assignor in accordance with the LCH Rules.~~

~~“Insolvency Act” means the Insolvency Act 1986.~~

~~“Liabilities” means all present and future obligations, moneys, debts and liabilities due, owing or incurred by the Assignor to the Secured Parties under or in connection with the Transaction Documents.~~

~~“LCH Rules” means the rules, regulations, procedures or agreements (including the LCH General Regulations and the LCH Default Rules), applicable to the Assignor and/or an Associated LCH Transaction, in each case as published by the Clearing House and as the same may be amended from time to time.~~

~~“LPA” means the Law of Property Act 1925.~~

~~“Relevant Account Balance” means the Account Balance relating to a Client and the relevant Associated LCH Transactions as calculated by the Clearing House in accordance with the LCH Rules following an Enforcement Event.~~

~~“Relevant SwapClear Clearing Client Entitlement” means the SwapClear Clearing Client Entitlement relating to a Client and the relevant Associated LCH Transactions as calculated by the Clearing House in accordance with the LCH Rules following an Enforcement Event.~~

~~“Secured Parties” means each Client from time to time.~~

~~“Security” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.~~

~~“Swap Agreement” has the meaning given to it in Recital (A) to this Deed.~~

~~“Transaction Documents” means this Deed and each Swap Agreement outstanding from time to time.~~

~~“UCC” means the Uniform Commercial Code as in effect in any applicable jurisdiction.~~

## ~~1.2 Construction~~

~~1.2.1 Unless a contrary indication appears, any reference in this Deed to:~~

- ~~(i) “assets” includes present and future properties, revenues and rights of every description;~~
- ~~(ii) the “Assignor”, the “Security Trustee” or any “party” shall be construed so as to include its successors in title and permitted transferees;~~

- ~~(iii) — an agreement, confirmation or instrument is to a reference to that agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced;~~
- ~~(iv) — a “person” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);~~
- ~~(v) — a “regulation” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and~~
- ~~(vi) — a provision of law is a reference to that provision as amended or re-enacted.~~

~~1.2.2 — Clause and Schedule headings are for ease of reference only.~~

## ~~2. — Undertaking to Pay~~

~~The Assignor undertakes to pay each of its Liabilities when due in accordance with its terms.~~

## ~~3. — Security~~

~~The Assignor, with full title guarantee [and as security for the payment of all Liabilities<sup>4</sup>, assigns absolutely to the Security Trustee all its present and future right, title and interest in and to each Relevant SwapClear Clearing Client Entitlement and each Relevant Account Balance. The Security Trustee shall hold the benefit of the Assignment on trust for the Secured Parties on the terms of this Deed.~~

## ~~4. — Restrictions and Further Assurance~~

~~Security~~

~~4.1 — The Assignor agrees that it shall not create or permit to subsist any Security over any Assigned Assets except for the Assignment.~~

~~4.2 — Notice of Assignment and Undertaking: The Assignor hereby gives notice of the Assignment to the Clearing House. The Clearing House hereby acknowledges receipt of such notice and undertakes to the Security Trustee (on behalf of the Secured Parties) that it shall, following the occurrence of a Clearing Default, act in accordance with the LCH Rules and any other laws and regulations applicable to it in determining how the Assigned Assets are to be distributed. The parties hereto acknowledge and agree that the Clearing House (acting in such capacity and not in its capacity as Security Trustee) has agreed to be a party to this Deed solely for the purposes of this Clause 4.3 [and to receive the written evidence referred to in Clause 4.4] and shall have no other obligation or liability save as expressly provided in this Clause 4.3 [and Clause 4.4]. In particular, the parties agree that the undertaking given by the Clearing House in this Clause 4.3 shall be without prejudice to any~~

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<sup>4</sup> — The language in brackets should not be included where the relevant Clearing Member is organised under the laws of Germany.



~~protections afforded to it pursuant to the LCH Rules or any other laws and regulations applicable to it.~~

~~4.3 — Margining: The Assignor agrees that, prior to the operation of Clause 9.1, it shall provide margin in respect of any Associated LCH Transactions to the Clearing House on an Individual Segregated Account basis or, as may be agreed between the Assignor and the relevant Client, an Omnibus Net Segregated Account basis in accordance with the LCH Rules.~~

~~4.4 — [UCC Financing Statement: The Assignor hereby authorises the filing of a financing statement describing the Assigned Assets in the filing office of the Assignor's location as determined by Section 9-307 of the UCC and hereby agrees to (a) file such financing statement within [10 Business Days] of the date hereof and (b) provide the Security Trustee and the Clearing House with a copy of the relevant filed Form UCC-1]<sup>5</sup>.~~

~~4.5 — Assignor's Undertaking: The Assignor undertakes to the Security Trustee that it shall not, without the prior written consent of the Security Trustee (acting upon the instructions of the relevant Client) to such amendment, make any amendment to the SwapClear Default Management Process Agreement to which the Assignor is a party the effect of which amendment would be to (a) amend the terms of the Assigned Assets hereunder or thereunder or (b) amend the terms on which the Assigned Assets may be dealt with following the occurrence of a Clearing Default, unless such amendment is of a formal, minor or technical nature or, in the reasonable opinion of the Security Trustee, is not materially prejudicial to the interests of any Secured Party.~~

## ~~5. — Payments~~

~~5.1 — No Enforcement Event: Subject as otherwise provided in this Deed, and for so long as no Enforcement Event has occurred, the Assignor shall be entitled to receive and retain all payments or transfers made to it in respect of each Individual Segregated Account and each Omnibus Net Segregated Account relating to each Client from time to time in accordance with the LCH Rules. For the avoidance of doubt the Assignor shall not be entitled to deal with the Assigned Assets at any time while the Assignment is in effect.~~

~~5.2 — Post Enforcement Event: Following the occurrence of an Enforcement Event, the Security Trustee shall be entitled to receive directly from the Clearing House all Assigned Assets and payments or transfers made in respect of such Assigned Assets.~~

## ~~6. — Enforcement and Remedies~~

~~6.1 — Enforcement Event: The Security created on the date hereof shall only be enforceable, and the powers conferred by Section 101 of the LPA as varied and extended by this Deed shall only be exercisable, following the occurrence of an Enforcement Event.~~

~~6.2 — Power of Sale: The statutory power of sale and the other statutory powers conferred on mortgagees by Section 101 of the LPA as varied and extended by this Deed shall arise on the date of this Deed.~~

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<sup>5</sup> — This covenant must be included if the Assignor is organised under the laws of the United States of America or any state thereof or located in any such jurisdiction for purposes of Section 9-307 of the UCC.

~~6.3 — Section 103 LPA: Section 103 of the LPA shall not apply to this Deed.~~

## ~~7. — Declaration of Trust~~

~~7.1 — The Security Trustee declares that it shall hold the benefit of this Deed and the Assignment on trust for the Secured Parties on the terms set out herein. The parties agree that the provisions set out in Schedule 1 hereto shall apply to the appointment of the Security Trustee.~~

~~7.2 — The Assignor shall notify the Security Trustee of the identity of each person with whom it has entered into a Client Clearing Agreement, and whom it is intended shall take the benefit of this Deed (which includes, without limitation, the declaration of trust at Clause 7) and the Security Trustee shall, on request, confirm to such person or to the Assignor that it has received such notification. Such notification, once given, may be withdrawn at any time, but any such withdrawal shall take effect only when notification of withdrawal is received by the Security Trustee.~~

## ~~8. — Saving Provisions~~

~~8.1 — Continuing Security: Subject to Clause 9, the Assignment is continuing security and will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.~~

~~8.2 — Reinstatement: If any discharge, release or arrangement (whether in respect of the obligations of the Assignor or any security for those obligations or otherwise) is made by any Secured Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation or otherwise, without limitation, then the liability of the Assignor and the Assignment shall continue or be reinstated as if the discharge, release or arrangement had not occurred.~~

~~8.3 — Waiver of Defences: Neither the obligations of the Assignor under this Deed nor the Assignment will be affected by an act, omission, matter or thing which, but for this Clause 8, would reduce, release or prejudice any of its obligations under any Transaction Document or the Assignment (without limitation and whether or not known to it or any Secured Party) including:~~

~~8.3.1 — any time, waiver or consent granted to, or composition with, the Assignor or other person;~~

~~8.3.2 — the release of the Assignor or any other person under the terms of any composition or arrangement with any creditor of any affiliate;~~

~~8.3.3 — the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Assignor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;~~

~~8.3.4 — any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Transaction Document or any other document or security; or~~

~~8.3.5 — any insolvency or similar proceedings.~~

~~8.4 — Immediate Recourse: The Assignor waives any right it may have of first requiring a Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Assignor under this Deed. This waiver applies irrespective of any law or any provision of a Transaction Document to the contrary.~~

~~8.5 — Additional Security: The Assignment is in addition to and is not in any way prejudiced by any other guarantees or security now or subsequently held by any Secured Party.~~

## ~~9. — Discharge of Security~~

~~9.1 — Final Redemption: Immediately upon there no longer being any Liabilities remaining in relation to a Client (or, if earlier, immediately upon it no longer being possible for an Enforcement Event to occur), the Security Trustee shall be deemed to have immediately released, reassigned or discharged (as appropriate) the Assigned Assets relating to such Client from the Assignment and therefore:~~

~~9.1.1 — the Assignor may retain for its own account; and~~

~~9.1.2 — the Security Trustee shall therefore promptly pay or transfer to the Assignor,~~

~~any amounts or other assets received by such party from the Clearing House in respect of the relevant Assigned Assets. For the avoidance of doubt, it is acknowledged that the Assignor's rights under this Clause 9 shall constitute an equity of redemption (and therefore a proprietary interest to the extent of such equity of redemption) in the Assigned Assets and any amounts or other assets the subject of such rights shall be returned by the Security Trustee to the Assignor.~~

~~9.2 — Consolidation: Section 93 of the LPA shall not apply to the Assignment.~~

## ~~10. — Miscellaneous Provisions~~

~~10.1 — Payments: All payments by the Assignor under this Deed (including damages for its breach) shall be made to such account, with such financial institution and in such other manner as the Security Trustee may direct.~~

~~10.2 — Remedies and Waivers: No failure to exercise, nor any delay in exercising, on the part of the Security Trustee any right or remedy under this Deed shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed are cumulative and not exclusive of any rights or remedies provided by law.~~

~~10.3 — Amendments and Waivers: Any term of this Deed may be amended or waived only with the consent of the Security Trustee and the Assignor.~~

~~10.4 — Assignment: Subject to the extent permitted by applicable law, neither this Deed nor any interest or obligation in or under it may be assigned or otherwise transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party.~~

~~10.5 — Disclosure to Clients: The Clearing House agrees that the Assignor may provide a copy of this Deed to any Client or prospective Client.~~

- ~~10.6 Partial Invalidity: If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.~~
- ~~10.7 Third Party Rights: A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.~~
- ~~10.8 Counterparts: This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.~~
- ~~10.9 Governing Law: This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.~~
- ~~10.10 Jurisdiction: In relation to any proceedings, each party to this Deed irrevocably submits to the exclusive jurisdiction of the courts of England and waives any objection to proceedings in such courts on the grounds of venue or on the grounds that the proceedings have been brought in an inconvenient forum. Each such submission is made for the benefit of the other party and shall not affect the right of any party to take proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any court of competent jurisdiction preclude any party from taking proceedings in any other court of competent jurisdiction (whether concurrently or not) unless precluded by law.~~
- ~~10.11 [Agent for Service of Process: The Assignor hereby irrevocably appoints [Name of Agent] of [Address in England] to receive service of process on its behalf as its authorised agent for service of process in England. If for any reason such agent ceases to be such agent for service of process, the Assignor shall forthwith appoint a new agent for service of process in England and deliver to the Security Trustee a copy of the new agent's acceptance of appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other matter permitted by law.]~~

**SCHEDULE 1****PROVISIONS RELATING TO THE APPOINTMENT OF THE SECURITY TRUSTEE****Trust**

~~The Security Trustee declares that it shall hold the benefit of this Deed and the Assignment on trust for the Secured Parties on the terms contained in this Deed. All moneys from time to time received or recovered by the Security Trustee in connection with the realisation or enforcement of all or any part of the Assignment in respect of the Assigned Assets relating to any Client shall be held by the Security Trustee on trust to apply them as soon as reasonably practicable, to the extent permitted by applicable law and subject to the provisions of this Deed in the following order of priority:~~

- ~~(a) in payment to such Client of all sums due and payable by the Assignor to such Client in respect of Liabilities; and~~
- ~~(b) the balance, if any, in payment to the Assignor.~~

~~The Security Trustee shall not apply any moneys realised by it under this Deed in respect of the Assigned Assets relating to one Client in discharge of any sums due and payable by the Assignor to another Client.~~

**No Independent Power**

~~The Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Assigned Assets or to exercise any rights or powers arising under this Deed.~~

**Security Trustee's Actions**

- ~~1.1 The Security Trustee shall have only those duties, obligations and responsibilities expressly specified in this Deed (and no others shall be implied). Subject to the other provisions of this Deed, the Security Trustee may take such action in the exercise of any of its powers and duties under this Deed which in its absolute discretion it considers to be for the protection and benefit of all the Secured Parties.~~
- ~~1.2 The duties, obligations and responsibilities of the Security Trustee specified in this Deed shall be subject to the duties, obligations and responsibilities, imposed from time to time by or pursuant to any law or instrument made thereunder, to which the Security Trustee is subject when it acts in its capacity as clearing house ("**RCH Duty**").~~
- ~~1.3 The Security Trustee may exercise any right, power or discretion in the discharge of any RCH Duty, whether under its default rules or otherwise, independently of its obligations as Security Trustee under this Deed ("**RCH Power**"). The exercise of any RCH Power shall take precedence over any duty, obligation or responsibility of the Security Trustee specified in this Deed. The Security Trustee shall not be liable to any person as a result of its proper exercise of (or proper omission to exercise) any RCH Power, including where the exercise of such power has the effect of varying the amount to which any beneficiary would otherwise be entitled under this Deed.~~
- ~~1.4 The Assignor shall, notwithstanding any release or discharge of all or any part of the Assignment, indemnify the Security Trustee against all charges and expenses, and~~

~~any action, proceeding, claims, losses, liabilities and costs ("Loss") properly incurred by it, or which it may sustain as a consequence of any breach by the Assignor of the provisions of this Deed, or in the proper exercise or purported exercise of any of the rights and powers conferred on the Security Trustee by, or in respect of any matter or thing properly done or omitted in any respect in connection with, this Deed or otherwise relating to the Assigned Assets, but only to the extent that such Loss has not been incurred by any fraud, wilful default or gross negligence of the Security Trustee or, in the case of the exercise of an RCH Power, any act or omission in respect of which it would not be subject to the exemption from liability in section 294 of the Financial Services and Markets Act 2000 or any other statutory exclusion of liability enacted from time to time.~~

### **Security Trustee's Discretions**

~~1.5 The Security Trustee may assume (unless it has actual knowledge to the contrary or has received express notice to the contrary from any Secured Party) that:~~

- ~~(a) the Assignor is not in breach of its obligations under Clause 2 of this Deed; and~~
- ~~(b) any right, power, authority or discretion vested in any person has not been exercised.~~

~~1.6 The Security Trustee may engage, pay for and rely in good faith on the advice or services of any lawyers, accountants, or other experts (whether obtained by the Security Trustee or by any Secured Party) in connection with the performance of its obligations under this Deed.~~

~~1.7 The Security Trustee may rely upon any communication or document reasonably believed by it to be genuine and, as to any matters of fact which might reasonably be expected to be within the knowledge of a Secured Party or the Assignor, upon a certificate signed by or on behalf of that person.~~

### **Security Trustee's Rights and Obligations**

~~1.8 At any time after the occurrence of an Enforcement Event, the Security Trustee shall have the rights set out in Schedule 2 to this Deed.~~

~~1.9 The Security Trustee shall promptly inform the Secured Parties of (a) the contents of any notice or document received by it in its capacity as Security Trustee from the Assignor; and (b) the occurrence of any breach of any term of this Deed of which the Security Trustee has received notice from any Secured Party.~~

### **Excluded Obligations**

~~The Security Trustee shall not:~~

- ~~(a) be bound to enquire as to the occurrence or otherwise of any breach by the Assignor of any of its obligations under this Deed;~~
- ~~(b) be bound to account to any Secured Party for any sum or the profit element of any sum received by it for its own account;~~
- ~~(c) be bound to disclose to any other person (including any Secured Party):~~

- ~~(i) any confidential information, or~~
- ~~(ii) any other information if disclosure would constitute a breach of any law or be a breach of fiduciary duty;~~
- ~~(d) be under any obligation, the discharge of which would constitute a breach of any RCH Duty;~~
- ~~(e) be under any obligation other than those which are specifically provided for in this Deed; or~~
- ~~(f) have or be deemed to have any duty, obligation or responsibility to, or relationship of trust or agency with, the Assignor.~~

### **Exclusion of Liability**

~~1.10 Unless caused directly by its own fraud, wilful default or gross negligence, the Security Trustee shall not accept responsibility or be liable for:~~

- ~~(a) the proper exercise of (or proper omission to exercise) any RCH Power;~~
- ~~(b) the adequacy, accuracy and/or completeness of any information supplied by the Security Trustee or any other person in connection with this Deed, or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with this Deed;~~
- ~~(c) the legality, validity, effectiveness, adequacy or enforceability of this Deed or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with this Deed;~~
- ~~(d) any losses to any person or any liability arising as a result of taking or refraining from taking any action in relation to this Deed or otherwise;~~
- ~~(e) the exercise of, or the failure to exercise, any judgment, discretion or power given to it by or in connection with this Deed or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with this Deed; or~~
- ~~(f) any shortfall which arises on the enforcement of the Assignment.~~

### **No Proceedings**

~~No Secured Party or party to this Deed may take any proceedings against any officer, employee or agent of the Security Trustee in respect of any claim it might have against the Security Trustee or in respect of any act or omission of any kind by that officer, employee or agent in relation to this Deed and any officer, employee or agent of the Security Trustee may rely on this clause.~~

### **No Responsibility to Perfect Assignment**

~~1.11 The Security Trustee shall have no obligation to, and shall not be liable for any failure to:~~

- ~~(a) require the deposit with it of any deed or document certifying, representing or constituting the title of the Assignor to any of the Assigned Assets;~~

- ~~(b) — obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any of this Deed or the Assignment;~~
- ~~(c) — register, file or record or otherwise protect the Assignment (or the priority of the Assignment) under any applicable laws in any jurisdiction or to give notice to any person of the execution of this Deed or of the Assignment;~~
- ~~(d) — take, or to require the Assignor to take, any steps to perfect its title to any of the Assigned Assets or to render the Assignment effective or to secure the creation of any ancillary security under the laws of any jurisdiction; or~~
- ~~(e) — require any further assurances in relation to this Deed.~~

### **Insurance by Security Trustee**

~~The Security Trustee shall be under no obligation to insure any of the Assigned Assets or to require any other person to maintain any insurance. The Security Trustee shall not be responsible for any loss which may be suffered by any person solely as a result of the lack of or inadequacy of any such insurance.~~

### **Acceptance of Title**

~~The Security Trustee shall be entitled to accept without enquiry, and shall not be obliged to investigate, such right and title as the Assignor may have to any of the Assigned Assets and shall not be liable for or bound to require the Assignor to remedy any defect in its right or title.~~

### **Refrain from Illegality**

~~The Security Trustee may refrain from doing anything which in its reasonable opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction which would or might otherwise render it liable to any person, and may do anything which is, in its reasonable opinion, necessary to comply with any law, directive or regulation.~~

### **Business with the Assignor**

~~1.12 — The Security Trustee may~~

- ~~(a) — provide clearing services to the Assignor both for itself and on account of any other person and do all things incidental to the provision of clearing services as they involve the Assignor in whatever capacity; and~~
- ~~(b) — deal with, accept deposits from, lend money to, and generally engage in any kind of treasury or other business with the Assignor.~~

### **Authorisation of Release**

~~Upon a disposal of any of the Assigned Assets pursuant to the enforcement of the Assignment by the Security Trustee, the Security Trustee is authorised to execute, without the need for any further authority from the Secured Parties, any release of the Assignment or other claim over that part of the Assigned Assets.~~

### **Winding up of Trust**



~~After the Security Trustee, with the approval of the Secured Parties, has determined that all of the Liabilities and all other obligations secured by this Deed have been fully and finally discharged, and all relevant certifications and other documents have been transferred to the Assignor, the trusts set out in this Deed shall be wound up.~~

### **Perpetuity Period**

~~The perpetuity period under the rule against perpetuities, if applicable to this Deed, shall be the period of eighty years from the date of this Deed.~~

### **Powers Supplemental**

~~The rights, powers and discretions conferred upon the Security Trustee by this Deed shall be supplemental to the Trustee Acts 1925 and 2000 and in addition to any which may be vested in the Security Trustee by general law or otherwise.~~

### **Dis-application**

~~Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Trustee in relation to the trusts constituted by this Deed. Where there are any inconsistencies between the Trustee Acts 1925 and 2000 and the provisions of this Deed, the provisions of this Deed shall, to the extent allowed by law, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Deed shall constitute a restriction or exclusion for the purposes of that Act.~~

### **Resignation of Security Trustee**

~~1.13—Where:~~

- ~~(a) — the Security Trustee so agrees with the Secured Parties or~~
- ~~(b) — without prejudice to the generality of Clause 12 of this Schedule One, the Security Trustee is required to resign as a result of a change in its exempt status, its regulatory status or it otherwise becoming unable to exercise its duties and functions as Security Trustee because of a change in any law, regulation, rule or other regulatory measure,~~

~~the Security Trustee may resign by giving such notice to the Assignor as is reasonable in the circumstances giving rise to the resignation.~~

~~1.14—Where the Security Trustee gives notice of its resignation, it may together with the Secured Parties, appoint a successor Security Trustee, unless any change in its exempt status, its regulatory status, law, regulation rule, or other regulatory measure prevents the Security Trustee from taking any step to appoint a successor Security Trustee, in which case the Secured Parties may themselves appoint such successor Security Trustee, subject to any regulatory requirement to do so in consultation or after consultation with any relevant regulatory, governmental or similar authority.~~

~~1.15—The retiring Security Trustee shall, at its own cost, make available to the successor Security Trustee such documents and records and provide such assistance as the successor Security Trustee may reasonably request and any regulation rule, or other regulatory measure permits for the purposes of performing its functions as Security Trustee under this Deed.~~

~~1.16—The Security Trustee's resignation notice shall only take effect upon the appointment of a successor. Upon the appointment of a successor, the retiring Security Trustee shall be discharged from any further obligation in respect of this Deed but shall remain entitled to the benefit of this Schedule. Its successor and each of the other parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original party.~~

### **Power of Attorney**

~~The Assignor by way of security irrevocably appoints the Security Trustee as its attorney (with full power of substitution), on its behalf and in its name or otherwise, in such manner as the attorney thinks fit, but in any case acting in good faith and in a commercially reasonable manner, to exercise (following the occurrence of an enforcement event only) any of the rights conferred on the Security Trustee in relation to the Assigned Assets or under the LPA or the Insolvency Act. The Assignor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of this power of attorney.~~

**SCHEDULE 2****RIGHTS OF THE SECURITY TRUSTEE**

~~Following the occurrence of an Enforcement Event, the Security Trustee shall have the right, either in its own name or in the name of the Assignor or otherwise and in such manner and upon such terms and conditions as the Security Trustee thinks fit, but in any case, acting in good faith in and a commercially reasonable manner, and either alone or jointly with any other person:~~

- ~~1. — Take possession: to take possession of, get in and collect the Assigned Assets and to require payment to it of revenues deriving therefrom;~~
- ~~1. — Deal with Assigned Assets: to sell, transfer, assign, exchange or otherwise dispose of or realise the Assigned Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);~~
- ~~2. — Borrow money: to borrow or raise money either unsecured or on the security of the Assigned Assets (either in priority to the Assignment or otherwise);~~
- ~~3. — Rights of ownership: to manage and use the Assigned Assets and to exercise and do (or permit the Assignor or any nominee of it to exercise and do) all such rights and things as the Security Trustee would be capable of exercising or doing if it were the absolute beneficial owner of the Assigned Assets;~~
- ~~4. — Claims: to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person relating to the Assigned Assets;~~
- ~~5. — Legal actions: to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Assigned Assets;~~
- ~~6. — Redemption of Security: to redeem any Security (whether or not having priority to the Assignment) over the Assigned Assets and to settle the accounts of any person with an interest in the Assigned Assets; and~~
- ~~7. — Other powers: to do anything else it may think fit for the realisation of the Assigned Assets or incidental to the exercise of any of the rights conferred on the Assignee under or by virtue of any Transaction Document, the LPA or the Insolvency Act.~~

~~**THIS DEED** has been delivered on the date stated at the beginning of this Deed.~~

~~[ASSIGNOR]~~

~~[INSERT APPROPRIATE SIGNATURE BLOCK]~~


~~[EXECUTED as a Deed by  
**LCH.CLEARNET LIMITED**~~

By: ~~[Director]~~

By: ~~[Director/Company Secretary]~~

**APPENDIX 2C.K1**

**SWAPCLEAR CLEARING CLIENT - PARTIAL TRANSFER FORM**



**SWAPCLEAR CLEARING CLIENT -  
PARTIAL TRANSFER FORM**

V.1.0.1.1  
2014.11

*Terms used in this form are as defined in LCH.Clearnet Limited's Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Receiving Clearing Member

**Date:**

---

We, ..... [insert name of Receiving Clearing Member] (the "Receiving Clearing Member") have received a request from ..... [insert name of transferring SwapClear Clearing Client] (the "SwapClear Clearing Client") to transfer (i) in the case of a SwapClear Clearing Client which is an Individual Segregated Account Clearing Client, part of its portfolio of SwapClear Contracts; and (ii) the case of a SwapClear Clearing Client which is an Omnibus Net Segregated Clearing Client, part or all of its portfolio of SwapClear Contracts, from ....[insert name of Carrying Clearing Member] to us. We hereby request the transfer of the SwapClear Contracts as identified below pursuant to Regulation 52C(d) and the Procedures.

---

Please insert the LCH trade IDs of the transferring SwapClear Contracts, using the Schedule below:

*\*\*Please insert the LCH trade ID and Approved Trade Source (ATS) ID of the transferring SwapClear Contracts.*

*\*\*Please append a list of additional SwapClear Contracts to this form, if required*

LCH Trade ID	ATS Trade ID

**Signatories for and on behalf of the Receiving Clearing Member:**

We acknowledge and confirm the above and are authorised to sign for and on behalf of the Receiving Clearing Member

↓

\_\_\_\_\_

(Authorised Signatory)

\_\_\_\_\_

Name

\_\_\_\_\_

Position

\_\_\_\_\_

Date

~~2.~~

<del>(Authorised Signatory)</del>	<del>Name</del>	<del>Position</del>	<del>Date</del>								
<b><del>Signatories for and on behalf of the transferring SwapClear Clearing Client:</del></b>											
<b><del>To: Receiving Clearing Member</del></b>											
<b><del>We acknowledge and confirm:</del></b>											
<del>i. the request to transfer as detailed above;</del> <del>ii. that LCH.Clearnet Limited will contact our Carrying Clearing Member in relation to this transfer and will disclose our identity to such Carrying Clearing Member;</del> <del>iii. that, in accordance with the Clearing House's Rulebook, LCH.Clearnet Limited is entitled to rely conclusively on the instructions and information received from the Receiving Clearing Member and the Carrying Clearing Member and shall have no liability or responsibility therefor;</del> <del>iv. that the transfer detailed above may require that additional Collateral be transferred to LCH.Clearnet Limited (and/or by us to the Receiving Clearing Member listed above and/or by us to our Carrying Clearing Member), and that LCH.Clearnet Limited is not required to effect the transfer if it has not received adequate Collateral in respect of the transfer or if any of the other conditions set forth in the Clearing House's Rulebook applicable to the transfer are unsatisfied;</del> <del>v. that in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Clearing House's Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in sub-paragraph (v) of Regulation 52C(d); and</del> <del>vi. that we are authorised to make these acknowledgements and confirmations and do so on behalf of the SwapClear Clearing Client listed above in accordance with the Regulations.</del>											
<b><del>For and on behalf of the SwapClear Clearing Client:</del></b>											
<del>_____</del>	<del>Authorised signatory</del>										
<del>Authorised signatory</del>											
<del>_____</del>	<del>Date</del>										
<del>Date</del>											
<p><del>All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.  Email: <a href="mailto:swapclearclientservices@lchclearnet.com">swapclearclientservices@lchclearnet.com</a>  Telephone: +44 (0) 207 426 7651 or +1 212 513 8265</del></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><del>SwapClear Client Services</del></td> <td style="width: 50%;"><del>SwapClear Client Services</del></td> </tr> <tr> <td><del>Aldgate House</del></td> <td><del>17 State Street</del></td> </tr> <tr> <td><del>33 Aldgate High Street</del></td> <td><del>New York NY 10004</del></td> </tr> <tr> <td><del>London EC3N 1EA</del></td> <td><del>USA</del></td> </tr> </table>				<del>SwapClear Client Services</del>	<del>SwapClear Client Services</del>	<del>Aldgate House</del>	<del>17 State Street</del>	<del>33 Aldgate High Street</del>	<del>New York NY 10004</del>	<del>London EC3N 1EA</del>	<del>USA</del>
<del>SwapClear Client Services</del>	<del>SwapClear Client Services</del>										
<del>Aldgate House</del>	<del>17 State Street</del>										
<del>33 Aldgate High Street</del>	<del>New York NY 10004</del>										
<del>London EC3N 1EA</del>	<del>USA</del>										

**APPENDIX 2C.K2**

**SWAPCLEAR CLEARING CLIENT FULL TRANSFER FORM**

**SCHEDULE 3**  
**SWAPCLEAR CLEARING CLIENT – FULL TRANSFER FORM**



**SWAPCLEAR CLEARING CLIENT - FULL TRANSFER FORM**

V.[ ]: [ ] 20[ ]

*Terms used in this form are as defined in LCH.Clearnet Limited's -Rulebook unless defined herein*

**To:** LCH.Clearnet Limited  
**From:** Receiving Clearing Member  
**Date:**

We, [insert name of Receiving Clearing Member] (the "Receiving Clearing Member") have received a request from ..... [insert name of transferring SwapClear Clearing Client] (the "SwapClear Clearing Client") to transfer its entire portfolio of SwapClear Contracts from ..... [insert name of Carrying Clearing Member] to us. We hereby request the transfer of all SwapClear Contracts registered in the name of the Carrying Clearing Member on behalf of the relevant SwapClear Clearing Client pursuant to Regulation ~~52C60~~(b) and the Procedures.

**OR**

We .....[insert name of Receiving Clearing Member] (the "Receiving Clearing Member") are an Individual Segregated Account Clearing Client or ~~(e) (as applicable)~~ an individual Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) and a SwapClear Clearing Member and are writing in both such capacities to request the transfer of our entire portfolio of SwapClear Contracts from our Carrying Clearing Member to our Proprietary Account. We hereby request the transfer of the SwapClear Contracts pursuant to Regulation 60(b) and the Procedures.

Please insert:

Name of Carrying Clearing Member:

.....

in order to enable LCH.Clearnet to identify the relevant SwapClear Contracts that are to be transferred.

Please tick the relevant box below to confirm whether the SwapClear Clearing Client wishes to transfer ~~the~~an Associated ~~Accounts—Assets~~Collateral Balance in accordance with Regulation ~~52C60~~(b) ~~or (e) (as applicable)~~.

- The SwapClear Clearing Client wishes to transfer ~~the~~an Associated Collateral Balance
- The SwapClear Clearing Client does NOT wish to transfer ~~the~~an Associated Collateral Balance

**Signatories for and on behalf of the Receiving Clearing Member:**

We acknowledge and confirm the above and are authorised to sign for and on behalf of the

## Receiving Clearing Member

1.

_____ (Authorised Signatory)	_____ Name	_____ Position	_____ date
------------------------------------	---------------	-------------------	---------------

2.

_____ (Authorised Signatory)	_____ Name	_____ Position	_____ date
------------------------------------	---------------	-------------------	---------------

**Signatories for and on behalf of the transferring SwapClear Clearing Client:**

To: Receiving Clearing Member

We acknowledge and confirm:

- i. \_\_\_\_\_ the request to transfer as detailed herein;
- ii. \_\_\_\_\_ that our Carrying Clearing Member shall not be permitted to register additional SwapClear Contracts on our behalf during the period commencing at the end of the SwapClear service operating hours on the day on which it received notice that a SwapClear Clearing Client Full Transfer Form has been received and ending at the time at which the relevant transfer (including the transfer of the relevant Associated Collateral Balance, if applicable) is actually effected or is rejected;
- iii. \_\_\_\_\_ that LCH.Clearnet Limited will contact our Carrying Clearing Member in relation to this transfer and will disclose our identity to such Carrying Clearing Member;
- iv. \_\_\_\_\_ that, in accordance with the Clearing House's Rulebook, LCH.Clearnet Limited is entitled to rely conclusively on the instructions and information received from the Receiving Clearing Member and the Carrying Clearing Member and shall have no liability or responsibility therefor;
- v. \_\_\_\_\_ that the transfer detailed above may require that additional ~~C~~collateral be ~~provided~~transferred to LCH.Clearnet Limited (and/or by us to the Receiving Clearing Member) even where ~~the~~an Associated Collateral Balance is transferred, and that LCH.Clearnet Limited is not required to effect the transfer if it has not received adequate Collateral in respect of the transfer or if any of the other conditions set forth in the Clearing House's Rulebook applicable to the transfer are unsatisfied;
- vi. \_\_\_\_\_ that, where we have requested the transfer of ~~the~~an Associated Collateral Balance, ~~(x) we should contact our Carrying Clearing Member to ensure that they contact~~ LCH.Clearnet Limited ~~is permitted~~ to identify the correct ~~assets comprising the~~ Associated Collateral Balance available for transfer, ~~and (y) where our Carrying Clearing Member does not so identify the correct assets comprising the Associated Collateral Balance available for transfer,, LCH.Clearnet Limited is permitted to transfer alternative collateral as it deems appropriate in accordance with the Clearing House's Rulebook;~~
- vii. \_\_\_\_\_ in order for the transfer detailed above to be effected, we will be required to satisfy any requirements as between ourselves and the Carrying Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, to the extent the Clearing House's Rulebook states that such requirements must be satisfied in order for the transfer to be effected, including, without limitation, any outstanding obligations that are due and payable to the Carrying Clearing Member and/or its Affiliates at the time of, or arising as a result of, such transfer, as provided for in sub-paragraph (~~v~~vii) of Regulation ~~52C60(b) or 52C(e) (as applicable)~~;
- viii. \_\_\_\_\_ that we are authorised to make these acknowledgements and confirmations and- do so on

behalf of the SwapClear Clearing Client listed above in accordance with the Regulations.

For and on behalf of the SwapClear Clearing Client:

\_\_\_\_\_  
Authorised signatory

\_\_\_\_\_  
Authorised signatory

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.

Insert email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Insert telephone number: +44 (0) 207 426 7651

SwapClear Client Services  
Aldgate House  
33 Aldgate High Street  
London EC3N 1EA  
UNITED KINGDOM

SwapClear Client Services  
17 State Street  
New York NY 10004  
USA



**APPENDIX 2C.K3**

**~~SWAPCLEAR CLEARING CLIENT TRANSFER—CARRYING CLEARING  
MEMBER REPOSE FORM~~**

**SCHEDULE 4**  
**SWAPCLEAR CLEARING CLIENT TRANSFER – CARRYING CLEARING**  
**MEMBER RESPONSE FORM**



SWAPCLEAR CLEARING CLIENT  
 TRANSFER – CARRYING  
 CLEARING MEMBER RESPONSE FORM

[V] [H] [ ]

*Terms used in this form are as defined in LCH.Clearnet Limited's -Rulebook unless defined herein*

**To:** LCH.Clearnet Limited

**From:** Carrying Clearing Member

**Date:**

We, [insert name of Carrying Clearing Member] (the "Carrying Clearing Member") have received a request from LCH.Clearnet Limited in relation to .....'s [insert name of transferring SwapClear Clearing Client] (the "SwapClear Clearing Client") request to transfer [[its entire]/[part of its] \*] portfolio of SwapClear Contracts held by us. We are writing to inform you that:

\* Delete as appropriate

(Please tick if applicable) The transferring SwapClear Clearing Client has become insolvent and no SwapClear Contracts should therefore be transferred in accordance with Regulation 5260(b)(i), ~~Regulation 52C(e)(i)~~ or Regulation ~~52C(e)~~60(c)(i), as applicable.

(Please tick if applicable) The transferring SwapClear Clearing Client has, or would have, as a consequence of the occurrence of the requested transfer, unsatisfied requirements which the Clearing House's Rulebook states must be satisfied in order for the transfer to be effected as between itself and us and/or our Affiliates at the time of, or arising as a result of, such transfer, including, without limitation, outstanding obligations as described in sub-paragraph (vii) of Regulation 5260(b), ~~Regulation 52C(e)~~ or Regulation ~~52C(e)~~60(c) (as applicable) and, therefore, no SwapClear Contracts should ~~not~~ be transferred.

(Please tick if applicable) The transferring SwapClear Clearing Client has asked that an Associated Collateral Balance be transferred and the relevant assets collateral comprising the Associated Collateral Balance ~~are~~is described in the schedule below.

**Schedule of assets collateral comprising ~~the~~ Associated Collateral Balance:**

~~The Associated Collateral Balance of the SwapClear Clearing Client consists solely of cash in the following amount and currency:~~

**CASH AMOUNT & CURRENCY**

~~The Associated Collateral Balance of the SwapClear Clearing Client consists of the following cash and non-cash collateral:~~

**CASH AMOUNT & CURRENCY**

The Associated Collateral Balance of the SwapClear Clearing Client consists solely of cash in the following amount and currency:

**CASH AMOUNT & CURRENCY**

The Associated Collateral Balance of the SwapClear Clearing Client consists of the following cash and non-cash Collateral:

**CASH AMOUNT & CURRENCY**

ISIN	Notional Value

All forms should be returned to LCH.Clearnet Limited for the attention of Client Services.  
 Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)  
 Telephone: +44 (0) 207 426 7651 or +1 212 513 8265  
 Fax: +1 212 513 8290

SwapClear Client Services  
 Aldgate House  
 33 Aldgate High Street  
 London  
 EC3N 1EA  
 UNITED KINGDOM

SwapClear Client Services  
 17 State Street  
 New York NY 10004  
 USA

**Signatories for and on behalf of the Carrying Clearing Member:**

We acknowledge and confirm the above and that we are authorised to sign for and on behalf

of the Carrying Clearing Member:

1.

_____	_____	_____	_____
(Authorised Signatory)	Name	Position	Date

2.

_____	_____	_____	_____
(Authorised Signatory)	Name	Position	Date

**APPENDIX 2C-L****CLEARING HOUSE PRESCRIBED LANGUAGE**

~~Capitalised terms used in this Annex Confidentiality, Non-Disclosure and shall have Participation in the meaning specified in the LCH Rules.~~

~~{SwapClear Clearing Client} hereby acknowledges and agrees that:~~

- ~~(a) the services provided by the Clearing House with regard to the SwapClear Clearing Services will be subject to and governed by the rules in the Clearing House's Rulebook, and the SwapClear Clearing Client will not act so as to cause whether directly or indirectly any breach of such rules or agreement by any person. The provisions of the amended text of Regulation 39 (Exclusion of Liability) of the Clearing House's Rulebook set out below shall apply *mutatis mutandis* as though entered into by the SwapClear Clearing Client directly with the Clearing House;~~
- ~~(b) in the event that the SwapClear Clearing Client has failed to appoint a Backup SwapClear Clearing Member or the Clearing House does not receive the necessary confirmation from the SwapClear Clearing Client of its wish to have its positions transferred (including by way of termination, close-out and establishment of new replacement transactions to replicate such positions) or the Backup SwapClear Clearing Member declines to act as such, on the default of the relevant SwapClear Clearing Member, the Clearing House will close out and terminate the SwapClear Contracts entered into by that SwapClear Clearing Member in respect of the SwapClear Clearing Client and will not transfer or otherwise re-establish such positions;~~
- ~~(c) the SwapClear Clearing Client will not be entitled to instruct the Clearing House to act or omit to act in any manner at any time prior to the default of the relevant SwapClear Clearing Member but the Clearing House shall accept instructions from the SwapClear Clearing Client following a default of the relevant SwapClear Clearing Member, provided that such instructions are in accordance with the rules of the Clearing House's Rulebook;~~
- ~~(d) the SwapClear Clearing Client will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time prior to the default of the relevant SwapClear Clearing Member but the Clearing House shall provide such information to the SwapClear Clearing Client following a default of the relevant SwapClear Clearing Member;~~
- ~~(e) the Clearing House will not hold any assets transferred to it on trust for any person; and~~
- ~~(f) where the SwapClear Clearing Member provides securities to the Clearing House as collateral (the "**Securities**"), the SwapClear Clearing Client will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a 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 rules of the Clearing House's Rulebook.~~

**Regulation 39: Exclusion of Liability**

*(This has been extracted from the Clearing House's Rulebook)*

- ~~(g) — Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, any SwapClear Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a SwapClear Clearing Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of any market, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or a SwapClear Clearing Member to supply each other with data or information in accordance with arrangements from time to time established between such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, a SwapClear Clearing Member or other relevant person; any event which is outside the control of the Clearing House; any act or omission of a SwapClear Clearing Member in connection with the provision of SwapClear Clearing Services or the entering into of SwapClear Contracts, including, without limitation, any error in the establishment of a price; any act or omission of the Clearing House; or any determination made in connection with SwapClear Clearing Services or SwapClear Contracts.~~
- ~~(h) — Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in respect of any dispute arising from or in relation to any SwapClear Contract including, but not limited to, any dispute as to the validity or otherwise of such transaction, the terms of such transaction, or whether any alleged agreement or arrangement constitutes a SwapClear Contract.~~
- ~~(i) — Without prejudice to the provisions of Regulation 1 and Regulation 39(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member or to any other person (including, without limitation, a SwapClear Clearing Client) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of any suspension of any service, a step taken by the Clearing House under Regulations 26, 27, 47(f), 54(f) or 67, or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.~~
- ~~(j) — Without prejudice to Regulation 39(c) and 39(e), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), be liable to any SwapClear Clearing Member or any SwapClear Clearing Client for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such SwapClear Clearing Member or SwapClear Clearing Client and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.~~
- ~~(k) — Nothing in this Regulation 39 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of~~

~~the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.~~

~~(f) **SCHEDULE 5** WITHOUT PREJUDICE TO THE PROVISIONS OF REGULATIONS 1 AND 22 AND 39(A) NEITHER THE CLEARING HOUSE, NOR ANY OTHER MEMBER OF THE LCH.CLEARNET GROUP SHALL HAVE ANY LIABILITY WHATSOEVER TO ANY SWAPCLEAR CLEARING MEMBER OR TO ANY OTHER PERSON (INCLUDING, WITHOUT LIMITATION, ANY SWAPCLEAR CLEARING CLIENT) IN CONTRACT, TORT (INCLUDING, WITHOUT LIMITATION, NEGLIGENCE), TRUST, AS A FIDUCIARY OR UNDER ANY OTHER CAUSE OF ACTION IN RESPECT OF ANY DAMAGE, LOSS, COST OR EXPENSE OF WHATSOEVER NATURE SUFFERED OR INCURRED BY A SWAPCLEAR CLEARING MEMBER OR ANY OTHER PERSON, AS THE CASE MAY BE, AS A RESULT OF THE FAILURE OF ANY SYSTEMS, COMMUNICATION FACILITIES OR TECHNOLOGY OR AS A RESULT OF ANY NEGLIGENCE, WRONGDOING, OR OTHER ACT, ERROR, FAILURE OR OMISSION ON THE PART OF ANY TECHNOLOGY SUPPLIER IN SUPPLYING ANY SERVICES TO THE CLEARING HOUSE WITH REGARD TO THE CLEARING HOUSE SERVICES OR AS A RESULT OF OR IN CONNECTION WITH ANY INCONSISTENCY OR CONFLICT BETWEEN ANY PROVISION CONTAINED IN ANY DEFAULT MANAGEMENT PROCESS AMENDMENT AGREEMENT OR OTHER AGREEMENT RELATED TO SWAPCLEAR BETWEEN THE CLEARING HOUSE AND A SWAPCLEAR CLEARING MEMBER ON THE ONE HAND AND ANY PROVISION OF THE CLEARING HOUSE REGULATIONS, DEFAULT RULES AND PROCEDURES AND ANY OTHER CLEARING HOUSE DOCUMENTATION ON THE OTHER HAND. GROUP~~

~~(m) — For the purposes of the Contracts (Rights of Third Parties) Act 1999, save: (i) as is expressly set out herein; and/or (ii) for rights conveyed to any SwapClear Clearing Client under a Deed of Assignment, these Regulations, Default Rules and Procedures do not create any rights in any persons who are not SwapClear Clearing Member.~~



**APPENDIX 2C.M****CLEARED TRADE REMOVAL AGREEMENT****Removal of registered SwapClear Contracts**

SCM's Requested Removal Date: DD/MM/YYYY

**BETWEEN**

**LCH.CLEARNET LIMITED** (the "Clearing House")

whose registered office is Aldgate House, 33 Aldgate High Street, London EC3N 1EA;

and

**[SWAPCLEAR CLEARING MEMBER]** ("SCM");

each a "Party" and jointly the "Parties".

**WHEREAS**

- (A) — The Clearing House, a Recognised Clearing House under the Financial Services and Markets Act 2000 runs a service known as SwapClear for the clearing of certain OTC derivatives transactions.
- (B) — SCM is a member of the Clearing House authorised by the Clearing House to participate in the SwapClear service as a SwapClear Clearing Member.
- (C) — SCM wishes to withdraw certain SwapClear Contracts from the SwapClear Service which were previously registered by the Clearing House
- (D) — The Clearing House agrees to remove from the service certain SwapClear Contracts subject to and in accordance with the terms and conditions of this Agreement.
- (E) — The Parties acknowledge that the removal of a trade from clearing pursuant to this Agreement (and the Clearing House Rulebook) is primarily for the removal of trades that were originally submitted from SWIFT and in respect of which automated trade deletion and termination is no longer available.

**THE PARTIES** agree as follows:

**1. Definitions**

Words and phrases not otherwise defined in this Agreement shall have the same meaning as in the General Regulations, Default Rules and Procedures of the Clearing House (the "**Clearing House Rulebook**").

**2. Contracts for Removal from Service**

SCM requests that the SwapClear Contract(s), particulars of which are set out in Schedule A hereto, registered by the Clearing House on the date(s) set out in that Schedule, and to which SCM and the Clearing House are party (the "Registered

~~SwapClear Contract(s)"), be removed from service by mutual consent in accordance with the provisions of this Agreement and the Clearing House Rulebook.~~

### ~~3. Contingent Event~~

~~The removal of service of the Registered SwapClear Contract(s) requested herein is contingent, inter alia, upon the simultaneous removal (such time being the time set by the Clearing House in its absolute discretion) of each of the SwapClear Contract(s) which relate to the same SwapClear Transaction which was submitted to the Clearing House for clearing as two SwapClear Contracts (the "Offsetting Contract(s)") to which the Clearing House is party together with the corresponding SwapClear Clearing Members (the "Counterparty SCMs").~~

### ~~4. Administrative and Other Arrangements~~

~~4.1 In order to facilitate the requested removal of service of the Registered SwapClear Contract(s) and the Offsetting Contract(s) the Clearing House may:~~

~~4.1.1 make whatever changes, adjustments and alterations to information and records relating to the SCM and the Counterparty SCM(s) held by the Clearing House on its internal systems (other than data constituting the economic terms of any such Registered SwapClear Contract or Offsetting Contract) and to the Clearing House's normal processes and procedures as the Clearing House in its sole discretion considers necessary; and~~

~~4.1.2 take whatever other steps and actions as the Clearing House in its sole discretion determines as necessary and appropriate.~~

### ~~5. Margin~~

~~5.1 In accordance with the Clearing House Rulebook, the Clearing House may, for so long as the Clearing House deems appropriate, retain all Collateral or other sums that the Clearing House may hold in connection with the Registered SwapClear Contract(s) or Offsetting Contract(s), and any cash or collateral provided to the Clearing House by or on behalf of SCM in respect of that SCM's margin obligations to the Clearing House in connection with the Registered SwapClear Contract(s) shall be available to the Clearing House to meet any obligations or liabilities whatsoever which are or which may become due to the Clearing House, notwithstanding any administrative change(s) that may have been made or administrative action that may have been taken by the Clearing House.~~

~~5.2 SCM agrees to advise its relevant PPS Bank of any additional margin requirements, in line with the Clearing House Rulebook, which may arise as a result of the requested termination and deletion and shall ensure that the Clearing House is sufficiently funded in order to meet any additional margin requirements.~~

### ~~6. Costs and Expenses~~

~~Unless agreed otherwise by the Clearing House, the SCM shall be responsible for and agrees to pay all costs and expenses associated with the requested removal from service.~~

### ~~7. Provision of Particulars~~

~~If so requested by the Clearing House, SCM shall promptly provide to the Clearing House such reasonable particulars in respect of any or all of the registered SwapClear Contracts as the Clearing House may request, in such electronic form as the Clearing House may require.~~

## ~~8. Time and Date of Termination~~

~~8.1 Unless specified otherwise by the Clearing House, the date of termination of each registered SwapClear Contract shall be the date set out at the head of this Agreement as the "Requested Removal Date" ("Removal Date"), unless the Parties otherwise agree, provided always that the Clearing House may amend the Removal Date by notice to the SCM.~~

~~8.2 SCM acknowledges and accepts that the time of removal on the Removal Date of the registered SwapClear Contract(s) shall not in any circumstances be the time at which the Clearing House effects any administrative change(s) or administrative action(s) but shall instead be the time which the Clearing House notifies SCM as being the time when removal has taken place.~~

~~8.3 The termination of any registered SwapClear Contract shall have no effect upon accrued rights and obligations of the SCM in respect of that registered SwapClear Contract, which rights and obligations shall survive termination.~~

~~8.4 The Clearing House may, by notice to the SCM given at any time up to the Removal Date, revoke its agreement to the removal of service of any registered SwapClear Contract in the event that:~~

~~8.4.1 the Counterparty SCM has not consented or has withdrawn its consent to the re-of the Offsetting Contract: or~~

~~8.4.2 the Clearing House takes the view that to terminate that registered SwapClear Contract(s) would adversely and materially adversely affect its risk or the risk of the market as a whole.~~

~~8.4.3 the Clearing House takes the view that to terminate that registered SwapClear Contract(s) would adversely and materially adversely affect its risk or the risk of the market as a whole.~~

~~8.5 SCM or any Counterparty SCM may, at any time up to the start of the day which is one clear London Business Day prior to the Removal Date, by notice in writing to the Clearing House and the Counterparty SCM, withdraw its agreement for the trade removal of any of the Registered SwapClear Contracts or Offsetting Contract (as the case may be) and the Clearing House shall use its reasonable endeavours to ensure that the Registered SwapClear Contract(s) and/or the Offsetting Contract is not removed from service.~~

## ~~9. Moneys Due to the Clearing House~~

~~SCM acknowledges and agrees that the Clearing House may in its sole discretion debit the relevant PPS account in respect of any moneys due from SCM to the Clearing House in connection with the requested removal.~~

## ~~10. Agreement to Prevail~~

~~In the event of any inconsistency between the provisions of this Agreement and the Clearing House Rulebook, the provisions of the Clearing House Rulebook shall prevail.~~

~~11. Confirmation of Consents etc.~~

~~SCM confirms that all requisite consents and approvals, regulatory or otherwise, have been obtained in connection with the removal from service requested herein.~~

~~12. Law and Jurisdiction~~

~~This Agreement shall be governed by English law and the Parties irrevocably submit to the exclusive jurisdiction of the English courts.~~

~~13. Liability~~

~~All matters of liability arising in connection with this Agreement shall be determined in accordance with the provisions of the Clearing House Rulebook as if the terms of this Agreement formed part of the Clearing House Rulebook.~~

For and on behalf of **SCM**

-----  
Authorised Signatory

-----  
Authorised Signatory

-----  
Name

-----  
Name

~~For and on behalf of the **CLEARING HOUSE**~~

-----  
Signatory

-----  
Name

**SCHEDULE A**

**THE REGISTERED SWAPCLEAR CONTRACTS**

~~Contract parties: (SwapClear Clearing Member) and LCH.Clearnet Limited (the “Clearing House”).~~

~~**Contract LCH Reference      Contract SCM Reference      Date of Registration**~~

**APPENDIX 2C-N****CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE  
DEFAULT MANAGEMENT GROUP****1. Definitions**

1.1 "**Confidential Material**" means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the SCM, its associated companies and advisers, or to which the SCM, its associated companies and advisers obtains or otherwise has access as a result of participation in the SwapClear DMP, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the SCM).

1.2 "**DMG Member**" means an individual appointed by a Nominating SCM.

1.3 "**Nominating SCM**" means a SwapClear Member who, through their obligations under the SwapClear DMP, makes available a representative to serve on the DMG.

1.4 "**Permitted Purpose**" means proper fulfilment by the SCM of its duties under the SwapClear DMP and includes, after the completion of the Auction, the use by the SCM, its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.

1.5 References denoting the masculine (including "his" and "he") shall be construed as the feminine if the DMG Member is female.

1.6 All other terms have the meaning ascribed to them in the Default Rules (including the SwapClear DMP Annex).

**Confidentiality and Non-Disclosure: General Obligations of the SCM****2. Confidentiality**

2.1 The SCM agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to **Clause 2.3, Section 2.3**, will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the SCM shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if:

2.1.1 it comes into the public domain other than through a breach by the SCM of this Agreement; or

2.1.2 the SCM is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with

any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the SCM.

2.2 The SCM further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the SCM expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this Agreement might result in the gaining of an unfair commercial advantage by the SCM over other members of the Clearing House SwapClear Service.

2.3 Subject to paragraph 2.54, the SCM may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).

2.4 The SCM agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.

2.5 This paragraph and the duties hereunder shall survive the termination of this Agreement and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the SCM.

### 3. **Secrecy**

3.1 Except in accordance with the terms of this ~~Appendix~~Schedule, the SCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:

~~3.2.3.1.1~~3.1.1 Confidential Material;

~~3.2.4~~3.1.2 the fact that it has received any Confidential Material;

~~3.2.2~~3.1.3 the existence of any discussions or negotiations between the parties in this matter;

~~3.2.3~~3.1.4 details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the foregoing. Subject only to the SCM being relieved of such an obligation because of the circumstances covered in paragraphs ~~2.1.1 and 2.1.2~~2.1.1 and 2.1.2.

### 4. **Property**

The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the SCM or any SCM, and the property in the media on which it is conveyed to the receiving party shall not pass to the SCM or any SCM unless expressly so agreed by the Clearing House in writing.

## 5. **Return of Confidential Material**

Upon request by the Clearing House, and in any event upon fulfilment of the Permitted Purpose, the SCM shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so **provided that** the SCM is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

## 6. **No Representations or Warranties; No Conflict of Interest**

6.1 Subject to references made in paragraph ~~7~~7, the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this ~~Appendix~~Schedule by the SCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this ~~Appendix~~Schedule, the SCM's participation in the SwapClear DMP shall not prevent the SCM from carrying out any transaction, or otherwise providing investment services in respect of, investments that the SCM may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the SCM has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the SCM or any of its directors, employees or other representatives.

## 7. **Liability**

7.1 Subject to ~~General~~ Regulation ~~39~~52 (*Exclusion of Liability*), the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the SCM or any of employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or wilful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the DMG, and for the accuracy of the information (confidential material as defined in the ~~Appendix~~Schedule to this Agreement) that it distributes to the SCM in connection with the SwapClear DMP.

7.3 Under no circumstances shall the Clearing House have any liability to the SCM for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).



## 8. Remedies

Without affecting any other rights or remedies that the Clearing House may have, the SCM acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this Agreement and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

## ~~Confidentiality and Non-Disclosure and General Terms of Participation in SwapClear DMG~~

## 9. Conflict of Interest

The SCM shall procure that, in the event that a DMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the DMG, he shall promptly report his view to the Chairman of the DMG, who shall act accordingly, taking the advice of other DMG Members as appropriate.

## 10. Confidentiality

10.1 Subject to paragraph ~~10.3~~10.3 below, the SCM shall procure that the DMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a DMG Member (including, for the avoidance of doubt, the SCM who recommended his appointment to the DMG ("**the Nominating SCM**") or his employer (if different) or any other employee, adviser, officer or fellow worker of that SCM or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorised delegate, providing always that the DMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs ~~2.1.1 and 2.1.2~~2.1.1 and 2.1.2.

10.2 Subject to paragraph ~~10.3~~10.3 below, the SCM shall procure that the DMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a DMG Member.

10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any SwapClear Clearing Member, the DMG Member may be required by the Nominating SCM and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the DMG Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the DMG with regard to the management of that default.

10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the DMG Member of the DMG, the SCM shall procure that the DMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his

possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, **provided that** the DMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

## 11. **Warranty and Representation**

11.1 The SCM represents and warrants that it will procure that:

11.1.1 the Nominating SCM and the DMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this Agreement; and

11.1.2 nothing in this Agreement will cause the DMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating SCM or to his employer, if different, or any other contract counterparty of the DMG Member.

## 12. **Confidentiality and Non-Disclosure**; 13. **General Obligations of the Clearing House**

The Clearing House will treat all Confidential Material in the terms envisaged in this ~~Appendix~~ Schedule, confining use to the SwapClear DMP, restricting its availability on a "strictly need to know basis", and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

## 13. **Third Party Rights**

A person who is not a party to this Annex shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

**SECTION 2D**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2D**

**EQUITYCLEAR CLEARING SERVICE**

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CONTENTS

<u>Section</u>	<u>Page</u>
2D.1 INTRODUCTION .....	1
2D.2 GENERAL INFORMATION .....	4
2D.3 REGISTRATION .....	6
2D.4 ACCOUNTS .....	7
2D.5 MARGINING .....	8
2D.6 Financing FOR ccCFDs .....	9
2D.7 INSOLVENCY AND DEFAULT .....	10
2D.8 SUSPENSION OF ANY EQUITYCLEAR OPEN OFFER AND/OR EQUITYCLEAR NOVATION IN RESPECT OF AN NCM .....	12
2D.9 MATCHING PROCEDURES .....	15
2D.10 .....	18
Position management for cecfds	18
2D.11 .....	18
SETTLEMENT MANAGEMENT	18
2D.12 .....	24
FAILED SETTLEMENTS	24
2D.13 .....	27
BAD DELIVERY	27
2D.14 .....	27
TAX LIABILITY	27
2D.15 .....	27
CORPORATE ACTIONS	27
APPENDIX 2D.A .....	44
Definitions .....	44
APPENDIX 2D.B .....	47
Market Deadlines .....	47
APPENDIX 2D.C .....	48
Notice of Buy-In .....	48
APPENDIX 2D.D .....	50
List of Approved Trading Platforms (ATP's) .....	50
APPENDIX 2D.E .....	51
List of Approved Settlement Platforms (ASPs) .....	51
APPENDIX 2D.F .....	55
Buyer Election Notice .....	55
<u>1. EQUITYCLEAR CLEARING SERVICE .....</u>	<u>1</u>

---

<a href="#">1.1</a>	<a href="#">Introduction .....</a>	<a href="#">1</a>
<a href="#">1.2</a>	<a href="#">General Information .....</a>	<a href="#">4</a>
<a href="#">1.3</a>	<a href="#">Registration .....</a>	<a href="#">5</a>
<a href="#">1.4</a>	<a href="#">Accounts.....</a>	<a href="#">6</a>
<a href="#">1.5</a>	<a href="#">Margin and Collateral.....</a>	<a href="#">8</a>
<a href="#">1.6</a>	<a href="#">Financing for ccCFDs .....</a>	<a href="#">9</a>
<a href="#">1.7</a>	<a href="#">Insolvency of an Issuer.....</a>	<a href="#">10</a>
<a href="#">1.8</a>	<a href="#">Matching Procedures.....</a>	<a href="#">10</a>
<a href="#">1.9</a>	<a href="#">Position Management for ccCFDS.....</a>	<a href="#">12</a>
<a href="#">1.10</a>	<a href="#">Settlement Management.....</a>	<a href="#">12</a>
<a href="#">1.11</a>	<a href="#">Failed Settlements .....</a>	<a href="#">18</a>
<a href="#">1.12</a>	<a href="#">Bad Delivery.....</a>	<a href="#">20</a>
<a href="#">1.13</a>	<a href="#">Tax Liability.....</a>	<a href="#">21</a>
<a href="#">1.14</a>	<a href="#">Corporate Actions.....</a>	<a href="#">21</a>
<a href="#">1.15</a>	<a href="#">EquityClear Client Clearing .....</a>	<a href="#">34</a>
<a href="#">1.16</a>	<a href="#">Indirect Clearing.....</a>	<a href="#">35</a>
	<a href="#">Schedule 1 Definitions.....</a>	<a href="#">37</a>
	<a href="#">Schedule 2 Market Deadlines .....</a>	<a href="#">40</a>
	<a href="#">Schedule 3 Notice of Buy-In.....</a>	<a href="#">41</a>
	<a href="#">Schedule 4 List of Approved Trading Platforms (ATP).....</a>	<a href="#">43</a>
	<a href="#">Schedule 5 List of Approved Settlement Platforms (ASP).....</a>	<a href="#">44</a>
	<a href="#">Schedule 6 Buyer Election Notice .....</a>	<a href="#">48</a>

**Schedule 1** INTRODUCTION

## 1. EQUITYCLEAR CLEARING SERVICE

### 1.1 Introduction

#### ~~2D.1.1~~1.1.1 General

These Procedures form part of the Rulebook (the Clearing House's General Regulations, Default Rules and Procedures) and must be read in conjunction with the other parts of the Rulebook. Members must inform themselves fully of their obligations under the Rulebook and under other relevant documentation, such as the Clearing Membership Agreement ~~and any applicable "EquityClear NCM-GCM Agreement"~~. Members should also be familiar with the relevant rules and procedures of the Approved EquityClear Trading Platform (~~("ATP")~~) through which trades are executed, and the rules and procedures of the Approved EquityClear Settlement Provider (~~("ASP")~~) through which settlement is affected. Such documents are subject to change.

Members should note that where any benefit or thing arises as a result of a Corporate Action (see Section ~~2D.15~~1.14) these Procedures apply to such benefit or thing whether or not the benefit or thing so arising consists of an EquityClear Eligible Instrument.

In the event of any conflict between any provision of these Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any market or other rules of an ATP or ASP), these Procedures shall prevail.

#### ~~2D.1.2~~1.1.2 Definitions

Definitions of terms used in this Section ~~2D.1~~ can be found either in the General Regulations or ~~Appendix 2D.A~~ of these procedures.

#### ~~2D.1.3~~1.1.3 EquityClear Eligible Instruments

~~2D.1.3.1(a)~~ Members are advised for the purposes of the Regulations and these Procedures, that instruments, eligible for clearing in the EquityClear service (~~("EquityClear Eligible Instruments")~~) are identified as such on the LCH.Clearnet website (www.lchclearnet.com). ~~There may be different EquityClear Eligible Instruments in respect of different ATPs. Members may also be notified of additions or deletions from time to time by Member circular.~~

~~2D.1.3.2(b)~~ Trading in ~~"when-issued"~~ market instruments (~~("grey market stocks")~~)

In the event that a ~~"when issued"~~ security is added to any list of EquityClear Eligible Instruments, Members should note that any obligations of the Clearing House in respect of any EquityClear trade or resulting EquityClear Contract for that security will only arise in the event that that security is listed as planned. In the event that the listing does not proceed on the planned day of listing the Clearing House shall deem any EquityClear trade executed in that security to be null and void

and will reject it if it is submitted for registration. Any EquityClear Contract already registered by the Clearing House in that security will be deemed void from the point of entry into those contracts (~~“(“*ab initio*”)~~) and the Clearing House will return any Collateral ~~held by~~transferred to it in respect of them. The Clearing House will have no other liability in respect of those contracts.

#### ~~2D.1.4~~1.1.4 Enquiries

Enquiries regarding these EquityClear Procedures or any other aspects of the operation of the EquityClear Service should be directed to the Clearing House's ~~EquityClear Operations department on +44 (0)20 7426 7601 or via the email address [equityclearbusinessops@lchclearnet.com](mailto:equityclearbusinessops@lchclearnet.com). Enquiries regarding margining should be directed to the Clearing House's Risk Operations department on +44 (0)20 7426 7520.~~House. Full details of contact points may be found on the LCH.Clearnet website: ~~<http://www.lchclearnet.com>~~<http://www.lchclearnet.com>.

#### ~~2D.1.5~~1.1.5 Service Use

~~2D.1.5.1~~(a) Where any Member wishes to participate in any part of the EquityClear service it must first seek appropriate authorisation from the Clearing House. Members seeking authorisation to participate in the EquityClear service will be required to seek separate authorisation for business undertaken in relation to the service provided for each Approved Trading Platforms ("ATP's").

Details of how to obtain such authorisations may be obtained from the Clearing House's Membership department ~~+44 (0)20 7426 7627/7063/7521~~. The Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically with regard to settlement Members must at all times ensure:

~~1.1.1~~(i) appropriate stock account/s is/are nominated and available in the system of the ASP for the delivery and receipt of the Eligible EquityClear Eligible Instruments which form the basis of such EquityClear Contracts; and

~~1.1.2~~(ii) a fully operational cash account is nominated and available in the system of the ASP in respect of each currency in which an EquityClear Contract may be concluded;

~~1.1.3~~(iii) where the Clearing House requires, the holder of the nominated stock account must provide to the Clearing House a Power of Attorney in the form authorised by the Clearing House, empowering the Clearing House to input relevant settlement instructions – see ~~section 2.D.9.1.1~~Section 1.8.1(a) below.

~~1.1.4~~(iv) that it has PPS accounts in all relevant currencies to enable clearing and settlement.



Failure to meet the requirements set out in ~~(i)~~(i) to ~~(iv)~~(iv) above (and other applicable requirements) will result in that Member not having appropriate settlement arrangements in place and, as a result, any EquityClear trades submitted by that Member or on its behalf will not fulfil the relevant EquityClear ~~eligibility criteria~~Eligibility Criteria (see Regulation ~~62A, Regulation 62B~~67 (EquityClear Open Offer for EquityClear ATP Matches), and Regulation ~~62C~~68 (EquityClear Novation Transactions)). In such a case, those EquityClear trades may be rejected by the Clearing House and no EquityClear Contracts would arise. The EquityClear trade would then be governed by any applicable ATP market rules. Members should also note that where they give notice to the Clearing House that they wish to participate in settlement netting arrangements (see ~~section 2D.11~~,Section 1.10.6), they must ensure that all necessary arrangements have been made with the relevant ASP for net settlement to proceed in accordance with the relevant ATP market rules and settlement rules of the ASP.

2D.1.5.2(b) In the event that, at the time when the Clearing House or its agent receives the details of any EquityClear trade for registration, the Member in whose name that trade is to be registered as an EquityClear Contract (~~“the “Account Deficient Member””~~) has not made available a fully operational cash account (for example a ~~“Cash Memorandum Account”~~ in CREST) or stock account in the system of the ASP or a PPS account, for settlement purposes in respect of that EquityClear trade, then the Clearing House may, in its absolute discretion, nevertheless decide to register that EquityClear trade as an EquityClear Contract. In such circumstances, the Clearing House may make such arrangements as it considers appropriate (including, but not limited to the creation of a temporary cash or stock account in the system of the ASP) in order to facilitate the proper and orderly settlement of that EquityClear Contract. The Clearing House is entitled in those circumstances to debit the relevant PPS account of the Account Deficient Member for all costs and expenses incurred by the Clearing House.

#### 2D.1.61.1.6 Use of Agents for Settlement and/or Delivery Purpose

2D.1.6.1(a) Where the Clearing House receives an instruction from a Member, ~~or a Non-Clearing Member (“NCM”) who is participating in the EquityClear Service pursuant to an EquityClear NCM-GCM Agreement with that Member and the Clearing House—see Section 2D.2.3 below—~~ or from some other agent or representative of that Member, (including for the avoidance of doubt an NCP), requesting or requiring ~~that~~the settlement and/or delivery of any EquityClear Eligible Instruments under any EquityClear Contract, ~~be carried out by that NCM,~~ or any third party acting as agent or other representative of that Member or ~~NCMP (“Settlement Agent”)~~, then the Clearing House will do what it reasonably can to accommodate such request as set out below, providing however that in any such case and notwithstanding such instruction, that Member shall remain responsible for meeting all obligations to the Clearing House with regard to settlement and delivery

under the Rulebook (including these Procedures) and any other applicable agreements.

~~2D.1.6.2~~(b) The Clearing House will use its reasonable endeavours to take delivery from or make delivery to such Settlement Agent but the Clearing House has no contractual relationship with such Settlement Agent and shall owe no duty of care nor have any liability whatsoever to such Settlement Agent (whether that person is a Member or not) or any other person in the event of any act or default of such Settlement Agent, or with regard to any matter arising out of or in connection with such delivery.

~~2D.1.6.3~~(c) Subject to the above, any reference in these Procedures to any act to be done by a Member may be carried out by a Settlement Agent where one has been appointed and the Clearing House has been so notified.

#### ~~2D.1.7~~1.1.7 Suspension of Trading

For the avoidance of doubt, any action by an ATP to suspend, de-list or take any other action with regard to an EquityClear Eligible ~~SecurityInstrument~~ shall not affect any obligations that a Member may have to the Clearing House with regard to any unsettled EquityClear Contracts in that EquityClear Eligible ~~SecurityInstrument~~.

#### ~~2D.1.8~~1.1.8 Liability

~~2D.1.8.1~~(a) Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in Regulation ~~3952~~ (*Exclusion of Liability*).

~~2D.1.8.2~~(b) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

### ~~Schedule 2~~GENERAL INFORMATION

#### ~~2D.2.1~~1.1.9 ~~Only~~Approved EquityClear ~~trades which:~~Trading Platform (ATP)

- ~~1.1.1~~ — ~~meet the relevant~~ Application for approved EquityClear ~~eligibility criteria;~~
- ~~1.1.2~~ — ~~meet the other requirements of the Rulebook (including but not limited to the EquityClear Regulations);~~
- ~~1.1.3~~ — ~~are~~ trading platform status shall be made in ~~EquityClear—Eligible Instruments for the ATP—~~accordance with the policies published from time to time on ~~which they originate;~~
- ~~1.1.4~~ — ~~are executed through an ATP~~the Clearing House's website. A list of ATPs currently approved by the Clearing House ~~for that purpose;~~

~~are eligible for registration by~~ is set out in Schedule 4. ~~Where~~ the Clearing House ~~as~~ approves additional ATPs, it will notify EquityClear ~~Contracts.~~

~~Part B~~ Subject to the requirements of the Rulebook, ~~participation in the EquityClear service is available to:~~

- ~~1.1.1~~ — any Clearing Member who has been and remains approved by the Clearing House to participate in the EquityClear service as provided for the relevant ATP; and
- ~~1.1.2~~ — any NCM — see section 2D.2.3 below — who has been admitted to and who remains on the Register of EquityClear NCMs for the relevant ATP.

~~Part C~~ EquityClear Trades of EquityClear NCMs

- ~~1.~~ — The Clearing House has a form of agreement, known as the “EquityClear NCM-GCM Agreement”. It sets out the terms which apply to the supply by the Clearing House of clearing services in respect of EquityClear trades executed through an ATP by persons who are not Clearing Members of the Clearing House but whose names are included in the “Register of NCMs” held by the Clearing House in respect of each ATP, and who are known as “Non Clearing Members” or “NCMs”. After submission of the EquityClear NCM-GCM Agreement, a Clearing Member must submit a static data form for each ATP, the purpose of which is to inform the Clearing House of the ATPs in respect of which the Clearing Member will accept trades submitted by each NCM.
- ~~2.~~ — Where any Clearing Member is authorised by the Clearing House to participate in the EquityClear service as provided for any particular ATP and that Clearing Member wishes the Clearing House to become party to EquityClear Contracts arising from EquityClear trades initiated by an NCM then it must first enter into an EquityClear NCM-GCM Agreement with that NCM and submit the Agreement to the Clearing House with a request that the Clearing House agrees to become party to it by signing it. The Clearing House Membership department on +44 (0)20 7426 7627/7063/7521 will provide details of the correct form to be used in putting forward such Agreement for the Clearing House’s approval.
- ~~3.~~ — The receipt by the Clearing House of an EquityClear NCM-GCM Agreement in the prescribed form, signed by a Clearing Member approved by the Clearing House to clear eligible trades executed on ATPs (known in the agreement as a “GCM”), and an NCM shall be conclusive evidence that the Clearing Member party to it agrees to be party to EquityClear Contracts arising according to the terms of that agreement. The Clearing House is not obliged to verify the appropriateness or authenticity of the signatures which appear on any such agreement, nor that the person signing on behalf of any of the parties had the correct authority to sign. Any NCM wishing to change its status by becoming a Clearing Member must ensure that it has terminated the EquityClear NCM-GCM Agreement to which it is party according to the terms of that agreement, and completed a new Static Data Form, prior to submitting in its new capacity any EquityClear trades for clearing. Failure to do so may result in delay in registration of trades or their rejection.

~~2D.2.3.4(a)~~ Only EquityClear trades executed through an ATP may be submitted to the Clearing House or its agent for registration as EquityClear Contracts. NCMs, and Clearing Members submitting such EquityClear trades on their behalf, must familiarise themselves with all operating procedures and applicable rules of the ATP upon which such EquityClear trades are executed. The current list of ATPs for the EquityClear Service can be found in Appendix 2D.D. Members may also be notified of additions or deletions from time to time by Member [via a member](#) circular.

## 1.2 General Information

~~2D.2.3.5~~ 1.2.1 Deliveries of EquityClear Eligible Equities resulting from EquityClear Contracts may only be made through one of the settlement systems approved by the Clearing House for such purposes (“**Approved EquityClear Settlement Provider**” or “**ASP**”). Clearing Members, and [NCMsagents](#) submitting such EquityClear trades on their behalf must familiarise themselves with all operating procedures and applicable rules of the relevant ASP. The ASPs which have been approved by the Clearing House are listed in [Appendix 2D.E Schedule 5](#).

~~2D.2.4~~ 1.2.2 Service Timetable

(a) Operating Times:

The Clearing House will publish by Clearing Member circular and on its website details of the days and times during which the EquityClear service will be operational ~~in respect of each ATP~~.

(b) Trade acceptance hours:

Please refer to the trade acceptance hours of the ATP concerned [contained in the Service Description](#).

~~2D.2.5~~ 1.2.3 Member Reporting

The Clearing House makes available appropriate clearing information via reports, real time confirmations and other means. Full details are contained in the relevant Service Description documentation.

1.2.4 Clearing House Reporting

[The Clearing House \(acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation\) shall report to a trade repository or similar body the details of an EquityClear Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.](#)

~~2D.2.6~~ 1.2.5 Static Data

Prior to submission of any EquityClear trades for registration a Clearing Member is required to ~~complete the appropriate Static Data Form~~ [provide](#)

sufficient information for the relevant ATP for each ~~of the types of EquityClear trades set out below and for each~~ ATP from which such EquityClear trades will be submitted:

~~1.1.1 — EquityClear trades submitted by that Clearing Member or on its behalf by persons other than NCMs; and~~

~~1.1.2 — EquityClear trade submitted by each NCM which is party with it to a current EquityClear NCM-GCM agreement.~~

~~Sub-The paragraph (i) above applies to any EquityClear trades under any agency arrangements permitted by the rules of that ATP (for example, Model B clearing arrangements as they are permitted under the rules of the London Stock Exchange LSE).~~

The format, contents and completion process of the Static Data Form in respect of each ATP is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each ATP, are available from the Clearing House Membership department ~~+44 (0)207 426 7627/7063/7521~~.

Failure to ~~complete and submit~~ provide the correct ~~Static Data Form~~ information in respect of the particular ATP and in respect of the particular type of EquityClear Trade may result in the rejection of trades.

~~Any Clearing Member wishing to opt into cross trade participant netting arrangements must make prior contact with the Clearing House Membership department. Amendment to a Clearing Member's existing Static Data Form is only anticipated where the Member wishes to engage in the settlement netting arrangements between BICs.~~

## ~~Part G~~ Submission of EquityClear Trades

~~In line with Regulation 4(c) of the Rulebook each Clearing Member shall be principal in respect of any Contract registered in its name with the Clearing House. Submitting a trade with a dealing capacity of "A" does not alter this capacity.~~

## Schedule 3 REGISTRATION

### 1.3 Registration

#### ~~2D.3.1~~ 1.3.1 General

The Clearing House will only accept EquityClear ~~T~~ trades submitted from an ATP in a message format and manner acceptable to the Clearing House. Each EquityClear Trade must pass the Clearing House's validation procedures to enable it to be registered.

With regard to London Stock Exchange business, such validation procedures are carried out by Euroclear UK and Ireland ("EUI") on the Clearing House's behalf. Each Clearing Member authorised to participate in EquityClear and each ~~NCM~~ NCP must be familiar with the operating procedures and deadlines of the ATPs in respect of which they have been approved by the Clearing House.

~~Each Clearing Member and each NCM requires the express written approval of the Clearing House in respect of each ATP from which EquityClear Trades are to be submitted. Details of how such approval may be obtained are available from the Clearing House's Membership department on +44 (0)20 7426 7627/7063/7521.~~

### ~~2D.3.2~~ 1.3.2 Intra-Day Registration

The Clearing House registers all EquityClear Trades on an intra-day basis. ~~Registration occurs when they pass all of the Clearing House's validation procedures.~~

~~For EquityClear Trades in Equities originating from the London Stock Exchange, this process is carried out by EUI on behalf of the Clearing House.~~

### ~~2D.3.3~~ 1.3.3 Rejected Trades

Trades ~~and all associated trades,~~ submitted for registration which:

- ~~(i)~~ (a) do not meet the relevant EquityClear ~~eligibility criteria~~ Eligibility Criteria or other registration criteria where applicable; or
- ~~(ii)~~ (b) have as their subject instruments which are not EquityClear Eligible ~~Securities~~ Instruments as prescribed for the relevant ATP; or
- ~~(iii)~~ (c) contain invalid or incomplete message data; or
- ~~(iv)~~ (d) for any other reason are not eligible for registration,

will be ~~rejected~~ held pending clarification by the Clearing House.

The Clearing House will then ~~make contact with~~ the Clearing Members concerned and/or the operator of the relevant ATP in order to seek to rectify the problem. It may be the case that the problem can be resolved and the trade re-submitted for registration. If, however, the trade still falls within any of ~~sub-sections (i) to (iv)~~ paragraphs (a) to (d) above, and the Clearing House does not register that trade, the submitting Clearing Members will be contacted and notified of the reason for rejection.

~~Clearing Members are requested to note that eligible~~ EquityClear Novation Transactions must be executed, matched and submitted for registration prior to the relevant ATP market deadline for registration ~~to take place that day~~. Any EquityClear Novation Transactions submitted after that time will be rejected.

Clearing Members should note that when a trade is rejected by the Clearing House, no EquityClear Contracts arise between the Clearing House and the EquityClear Clearing Members concerned. Subject to Regulation ~~39~~ 52(e) (Exclusion of Liability), the Clearing House has no liability in respect of such rejection.

## **Schedule 4 ACCOUNTS**

## ~~Part A~~ Clearing Member Accounts

### 1.4 Accounts

#### 1.4.1 Proprietary Accounts and Client Accounts

##### (a) Proprietary Accounts

An EquityClear Clearing Member 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

(i) a position account; and

(ii) a collateral account

#### 1.4.2 Client Accounts

##### (a) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.15 (EquityClear Client Clearing) below, an EquityClear Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(i) Individual Segregated Accounts;

(ii) Non-Identified Client Omnibus Net Segregated Account;

(iii) Identified Client Omnibus Net Segregated Accounts; and/or

(iv) 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.

#### 1.4.3 Clearing Member Accounts – position-keeping account

For identification purposes each EquityClear Clearing Member is assigned ~~one or more~~ unique three-character ~~mnemonics.~~ Mnemonic. An EquityClear Clearing Member's position and financial information are further identified by a single character code: ~~H for house business; and~~ C for ~~segregated client business~~ EquityClear Clearing Client Business; and H for EquityClear Clearing House Business. The H account is obligatory, the C account ~~is optional~~ will be used in respect of any EquityClear Clearing Member which engages in EquityClear Clearing Client Business.

#### ~~2D.4.2~~ 1.4.4 Financial Collateral Accounts



Clearing Member Accounts have ~~Financial Accounts~~ collateral accounts associated with them. These are used, among other things, to record cash balances, and ~~I~~ instruments/documentary credits. Information contained within a position-keeping account is ~~mapped to financial accounts~~ consolidated with the associated collateral account, as follows:

<u>Trading Position-Keeping Account</u>	<u>Collateral Account</u>	<del>Financial Account</del>
H	House <u>H</u>	<del>H</del>
C	Client <u>C</u>	<del>C</del>

### ~~Part C~~ Other Financial Accounts

Each client "C" position-keeping account and the client "C" collateral account of an EquityClear Clearing Member's Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the EquityClear Clearing Member 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.

#### 1.4.5 Other accounts

Each Clearing Member's Default Fund Contribution is held on a separate ~~financial~~ account. In accordance with the Default ~~Fund~~ Rules this account attracts a rate of interest of 3 month LIBOR + 1% ~~per cent~~. The Default Fund ~~financial~~ account is designated by the single character code F.

At the Clearing House's<sup>2</sup> discretion, further ~~financial accounts, used only to record financial balances~~, may be opened as follows:

	<u>Code</u>
Buffer account (House), used for holding <del>additional cash in relation to House business</del> <u>Excess</u>	B
Buffer account (Client), used for holding <del>additional cash in relation to Client business</del> <u>House Excess</u>	E

7

### ~~Schedule 5~~ MARGINING

~~The Clearing House will margin all the outstanding EquityClear Contracts of each Clearing Member. Margin is made up of two basic components:~~

~~1.1.1 Initial Margin; and~~



## ~~1.1.2 Variation Margin.~~

~~The two components are described below. Further detail on the margining of EquityClear Contracts is available from the LCH ERA® Technical Information Pack, which is available on LCH.Clearnet's website at [www.lchclearnet.com](http://www.lchclearnet.com). Further questions should be directed to the Clearing House Risk Operations department on +44 (0)20 7426 7520.~~

## 1.5 Margin and Collateral

Separate initial and variation margin calculations are performed for ~~a~~an EquityClear Clearing Member's house (H) Member's Proprietary Account and for each Client Account which is a sub-account of an EquityClear Clearing Member's client ("C") account; ~~no.~~ No offset between ~~these accounts~~the Proprietary Accounts and Client Accounts is allowed. ~~Each account will be margined and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts. The Margin requirement for each account will be calculated~~ on a net basis.

### (a) Initial Margin

The Clearing House will require Clearing Members to transfer Collateral in respect of the initial margin obligation to the Clearing House. The amount of Collateral required in respect of the initial margin requirement will be determined by the LCH ERA algorithm.

### (b) Variation Margin

Variation Mmargin represents the change in value of each open EquityClear Contract from the value at the time of trade to the current market value or from the previous closing price to the current market value for EquityClear (ccCFD) Contracts which were not traded that same day.

Variation Mmargin in respect of EquityClear (Equities) Contracts will be in non-realised or contingent form, i.e. it will be in the form of a credit or debit posted to ~~m~~Member's accounts. In order to cope with step changes in the variation margin due to the settlement cycle, the Clearing House will restrict the use of credit variation margin just ahead of settlement. Further information on the restriction can be found in the ERA<sup>®</sup> technical information pack.

Variation Mmargin in respect of EquityClear (ccCFD) Contracts is realised. The relevant contracts are settled to market daily and any profit or loss is credited to or debited from ~~a Clearing Member's financial accounts~~the relevant Proprietary Account or Client Account on a daily basis. Variation Mmargin on an accrued Cash Equivalent Dividend Payment will be in contingent form.

### (c) Interoperability margin

Clearing Members using the interoperability service are required to pay margin in respect of that service.

### (d) Margin Parameters

The margin parameters for LCH ERA<sup>®</sup> used in the initial and variation margin requirement calculation will be made available by the Clearing House on the ~~web~~ website. In the event of changes to parameters Clearing Members will be notified as soon as possible of amendments and no later than the day before calls are made based upon the new parameters.

#### (e) Intra-day Margin Calls

The Clearing House will calculate each Clearing Member's initial and variation margin requirement on a routine basis at several points throughout the day. The Clearing House will make an intra-day adjustment to a Clearing Member's liabilities at 13:00 hours each day using market prices and Clearing Members' positions at 12:30 hours. In the event that a Clearing Member has insufficient Collateral with the Clearing House an intra-day PPS call will be issued. Times given are London time.

In addition, the Clearing House reviews the initial and variation margin requirements of each Clearing Member throughout the day. In the event of an increase in the initial and/or variation margin requirements the Clearing House will make further intra-day adjustments on a Member specific basis. In the event of a Member having insufficient Collateral the Clearing House will make further intra-day calls. Clearing Members should ensure that they are, at any point throughout the day, in a position to meet a PPS call.

~~Note: LCH ERA<sup>®</sup> is the registered trade mark of LCH.Clearnet Limited~~

#### ~~2D.6~~1.6 ~~Financing FOR~~for ccCFDs

~~For spot style ccCFDs, such as ccCFD equity, ccCFD index and ccCFD spot style commodity, a cost of carry (the cost of holding the derivative) is not priced into the ccCFD itself but rather is exchanged between buyers and sellers separately on a daily basis.~~

For futures style ccCFDs with expiry dates, such as some ccCFD commodity and all ccCFD bonds, the cost of carry is priced into the CFD and is thus not exchanged as a separate cash flow.

For equity ccCFDs, the cost of carry/financing is made up of the appropriate bank rate applicable to the currency of the underlying equity (e.g. LIBOR) and a spread component (combined into one financing price) and is based on the overnight value of a Clearing Member's position.

For non-equity spot related ccCFDs, the cost of carry refers only to the appropriate bank rate (e.g. Fed Funds).

On a daily basis margin and financing calculations are applied, and where appropriate, Positions impacted by corporate event activity are updated.

The financing component is paid by the ccCFD buyer to the seller and is calculated on a net position per stock/position, which is aggregated to the House or Client account level.

All cash obligations are paid daily via PPS.

## ~~Schedule 7~~INSOLVENCY AND DEFAULT

### ~~2D.7.1~~1.7 Insolvency of an Issuer

~~For the avoidance of doubt, Members are advised that their obligations set out in the Rulebook, including these Procedures, and any other relevant agreements with the Clearing House including but not limited to obligations regarding clearing, settlement and delivery of EquityClear Eligible Instruments continue notwithstanding any suspension of trading in such Instruments on any ATP and notwithstanding that the Issuer of such Instruments (or the instrument underlying an EquityClear Eligible ccCFD) passes a resolution or the 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 the Issuer is nationalised, or any other event of a similar nature to any of the above occurs.~~

Where settlement of any EquityClear Eligible Instruments cannot take place because of a court, administrative or regulatory order or because of an insolvency event affecting the Issuer of such instruments (or the instrument underlying an EquityClear Eligible ccCFD), or any of the above, the Clearing House may in its discretion, give notice to Clearing Members who are party to open EquityClear Contracts in respect of those Instruments, that such Contracts will be cash settled at such price as the Clearing House may set in its reasonable discretion. Clearing Members should note that in such circumstances the reference price may be NIL.

### ~~Part B~~Default of an NCM or ATP member clearing through another CCP

~~In the event that an NCM (“the Defaulting NCM”) is declared to be in default by the ATP of which it is a member in accordance with the default rules of that ATP, the Clearing Member with whom that NCM has a subsisting NCM-GCM Agreement, (“the Responsible Member”) remains fully responsible for meeting all obligations to the Clearing House in respect of all EquityClear Contracts arising from EquityClear trades executed on that ATP or any other ATP (“the Affected EquityClear Contracts”) by or on behalf of that NCM. Similarly where a member of an ATP clearing through another CCP (directly or indirectly) is declared to be in default by that ATP or another CCP, the other CCP remains fully responsible for meeting all obligations to the Clearing House in respect of all EquityClear Contracts arising from the EquityClear trades executed on that ATP by that defaulting ATP member.~~

In respect of ccCFDs, Clearing Members are fully responsible for meeting all obligations to the Clearing House in respect of EquityClear (ccCFD) Contracts ~~notwithstanding the default of an NCM.~~

~~Clearing Members should be aware that where settlement netting arrangements are in place (see Section 2D.11), the default of an NCM before net settlement occurs in respect of the Affected EquityClear Contracts, may result in the Clearing Member who is GCM for that NCM being responsible for meeting the underlying gross settlement obligations in respect of those Contracts.~~

~~Without limiting the generality of the above, the Responsible Member must comply with the following requirements with regard to settlement of the Affected EquityClear Contracts:~~

~~1. Settlement by the Responsible Member~~

~~In the event that immediately prior to the default of the Defaulting NCM, the Responsible Member was itself maintaining and providing the necessary settlement arrangements in the system of the ASP for the settlement of Affected EquityClear Contracts, then, notwithstanding the declared default of that Defaulting NCM, and notwithstanding any failure by the Defaulting NCM to fulfil any obligation it may have to the Responsible Member, the Responsible Member remains obliged to complete settlement of all unsettled Affected EquityClear Contracts.~~

~~2. Settlement by Settlement Agent of the Defaulting NCM~~

~~Notwithstanding that the Defaulting NCM has appointed a Settlement Agent, other than the Responsible Member, to maintain and provide the necessary settlement arrangements in the system of the ASP to carry out the settlement of Affected EquityClear Contracts, the Responsible Member remains under an obligation to the Clearing House to ensure settlement of unsettled Affected EquityClear Contracts, and the Clearing House will, as soon as reasonably practical following notification to it of the default, take all necessary action to introduce new settlement instructions into the system of the relevant ASP against the Responsible Member or its Settlement Agent. In such circumstances the Responsible Member or its Settlement Agent, must immediately or as soon as reasonably practical, match against such new instructions, and subsequently settle such transactions according to the rules of the ASP and these Procedures.~~

~~3. Settlement by the Defaulting NCM~~

~~In the event that the Defaulting NCM was itself immediately prior to the default declaration maintaining settlement arrangements in the system of the ASP for the settlement of Affected EquityClear Contracts, the Responsible Member remains under an obligation to the Clearing House to ensure settlement of unsettled Affected EquityClear Contracts, and the Clearing House will, as soon as reasonably practical following notification to it of the default, take all necessary action to introduce new settlement instructions into the system of the relevant ASP against the Responsible Member or its Settlement Agent. In such circumstances the Responsible Member or its Settlement Agent, must immediately or as soon as reasonably practical, match against such new instructions, and subsequently settle such transactions according to the rules of the ASP and these Procedures.~~

~~**Schedule 8** SUSPENSION OF ANY EQUITYCLEAR OPEN OFFER AND/OR EQUITYCLEAR NOVATION IN RESPECT OF AN NCM~~

~~**Part A** At any time while a valid EquityClear NCM GCM Agreement is in operation the Clearing Member party to such Agreement may request suspension of the EquityClear Open Offer and/or the EquityClear service (including, where applicable, registration of EquityClear Novation Transactions) in respect of any ATP with regard to the NCM which is party to that agreement. Such request must be made in accordance with these procedures. Clearing Members should note that the following provisions are applicable only to a request for suspension made under the relevant provision of the applicable EquityClear NCM GCM Agreement. They do not apply to the Clearing House's powers (as set out in Regulations 65) to suspend any part of the EquityClear Service or any of the EquityClear Open Offers or registration of EquityClear Novation Transactions (where applicable) generally.~~

~~These powers may be exercised in such manner as the Clearing House deems appropriate in the circumstances.~~

~~**Part B**A request for suspension of any NCM may only be made by a Clearing Member if that Clearing Member shall have previously given notice to the Clearing House's Risk Management department in writing setting out the following matters:~~

~~1.1.1 a list ("the Authorised List") of the names, telephone and fax numbers (and email addresses where applicable) of each person ("Authorised Person") who is authorised from time to time by that Clearing Member to make any such suspension request. The Clearing Member may from time to time add or remove any names, and accompanying particulars from such list;~~

~~1.1.2 a specimen of the signature of each person whose name appears on the Authorised List.~~

~~**Part C**A request to suspend may be made either by telephone or in writing to the Clearing House by any person whose name appears on the Authorised List at the time of such request.~~

~~**Part D**The Clearing House may rely on any written request for suspension which reasonably appears to the Clearing House to be given by any Authorised Person without any 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 may also rely upon telephone request for suspension providing that it forms the reasonable opinion that the giver of such request is an Authorised Person. The Clearing House shall be under no obligation to inquire into the authority of the signatory of any such written request for suspension or the giver of any such telephone request, nor to inquire into the reasons for any such requested suspension.~~

~~**Part E**A request for suspension may only be made if prior notice of the Clearing Member's intention to make such request has been given to any ATP in respect of which the Clearing Member wishes the suspension to be operative.~~

~~**Part F**Where the NCM is on the Register of NCMs for more than one ATP:~~

~~1.1.1 the request must identify whether suspension is sought in respect of specific ATPs; and~~

~~1.1.2 in the absence of any express request to the contrary, the Clearing House will assume that period of suspension requested is the same in respect of all ATPs.~~

~~Any request for suspension, whether made by telephone or in writing, shall contain the following information. (In the absence of any part or parts of the following information from such request, the Clearing House may decline to give effect to such request):~~

~~1.1.3 the name of the requesting Clearing Member;~~

- ~~1.1.4 — the name and address of the NCM as it appears on the relevant EquityClear NCM-GCM Agreement/s to which the Clearing Member and the NCM are part;~~
- ~~1.1.5 — the requested date and time for commencement and end of suspension. In the event of a telephone request, the Clearing Member may request suspension to take effect from a time no earlier than 1 hour from the time of the telephone call. In respect of a written request, the Clearing Member may request suspension to take effect from a time no earlier than 3 hours from the time of receipt by the Clearing House of such written request. Where the Clearing Member does not wish to nominate an end date and time for the suspension, it may request indefinite suspension providing a start date and time is nominated;~~
- ~~1.1.6 — the name, telephone number and fax number and/or email address of the person with whom the Clearing House may communicate in respect of such request and any subsequent suspension;~~
- ~~1.1.7 — the date and time of notification to each relevant ATP of that Clearing Member's intention to request suspension and the identity and telephone number of the person to whom such notification was given.~~

~~**Part G** Any telephone request for suspension may only be made to the following telephone number and during the following times:~~

~~The Clearing House Risk Operations department — +44 (0)20 7426 7520~~

~~08:00 — 18:30 hours London time on any Business Day~~

~~It must promptly be confirmed by facsimile (addressed to the Head of Risk Management, LCH.Clearnet Limited) sent to the following number +44 (0)20 7667 7354.~~

~~Any written request for suspension must be addressed to the Head of Risk Management, LCH.Clearnet Limited, and marked "Urgent — NCM suspension request". It must be received by the Clearing House during the hours of 09:00—17:30 hours London time on any Business Day. Delivery may be made by post, or courier.~~

~~**Part H** Requests for suspension, may not be made in any manner or form other than is set out above:~~

~~Following receipt of such a request for suspension, the Clearing House may in its absolute discretion but without being under any obligation to do so, make such inquiries of the requesting Clearing Member, relevant NCM, each relevant ATP and each relevant ASP and such other persons as it considers appropriate in the circumstances.~~

~~**Part I**n the event that the Clearing House receives a request for suspension, it will use its reasonable endeavours to give effect to it in accordance with Section 2D.8.10. However, it shall be under no obligation to give effect to that request for suspension where the Clearing House in its absolute discretion believes that to do~~

~~so would damage the integrity of the Clearing House, cause disruption or disorder to any relevant market or expose the Clearing House to any unacceptable risk.~~

~~**Part J** For these purposes the following constitutes giving effect to a request for suspension of any EquityClear Open Offer and/or suspension of registration of EquityClear Novation Transactions (where applicable) by the Clearing House in respect of an NCM:~~

~~**Part K** Notification to any ATP identified in the request for suspension, in accordance with such procedures as may be agreed from time to time with that ATP, that the Clearing House will, for the period of time stated in such notification (“the period of suspension”) withdraw the relevant Open Offer in respect of, and decline to register, any EquityClear trade executed by or on behalf of that NCM. Where no such period is stated, then the Clearing House will state the time and date from which it will decline to register any EquityClear trades of that NCM until further notice (that period being the “period of suspension”).~~

~~**Part L** During the period of suspension the Clearing House will be entitled to decline to register any EquityClear trade executed by or on behalf of the NCM on any ATP to which notification has been given as set out in Section 2D.8.10 above.~~

~~**Part M** Notwithstanding any such suspension, the Clearing Member who requested the suspension will continue to be bound by its obligations as set out in the relevant EquityClear GCM-NCM Agreement and under the Regulations and these Procedures in respect of any EquityClear trade (and any subsequent EquityClear Contract arising from it) executed before or during the period of the suspension and thereafter for so long as that Agreement subsists, including but not limited to the fulfilment of its obligations to the Clearing House in respect of any EquityClear trade which is submitted for registration and is registered by the Clearing House during the period of the suspension.~~

~~**Part N** When the Clearing House carries out any suspension, in respect of any NCM, it will use its reasonable endeavours to notify that NCM of the fact and length of the suspension, but the failure or omission to give any such notice to that NCM will not give rise to any liability whatsoever on the part of the Clearing House with regard to any EquityClear trade/s rejected by the Clearing House during the period of suspension, or otherwise.~~

~~Clearing Members should note that the Clearing House is under no obligation to notify that NCM that it has received a request to suspend. The Clearing Member requesting suspension should ensure that the relevant NCM is aware of that Clearing Member's intention to request suspension.~~

## **Schedule 9 MATCHING PROCEDURES**

### 1.8 Matching Procedures

#### **2D.9.1** 1.8.1 Matching

##### 2D.9.1.1(a) Power of Attorney



Where fulfilment of an EquityClear Contract requires settlement via an ASP, the Clearing House in respect of some ASPs (see ~~appendix 2D.E) and in respect of those Clearing Members who hold accounts at the Clearing House's Settlement Agent,~~[Schedule 5](#)) operates a Power of Attorney facility. The Clearing House requires EquityClear Clearing Members to provide a Power of Attorney in respect of each ASP ~~or the Clearing House's Settlement Agent, where applicable.~~ Where an EquityClear Clearing Member wishes settlement to be carried out by an [NCMNCP](#) or a settlement agent, that [NCMNCP](#) or settlement agent must also provide the Clearing House with a Power of Attorney. Under the Power of Attorney, the Clearing House sends settlement instructions to the relevant ASP on behalf of the EquityClear Clearing Member, [NCMNCP](#) or settlement agent (as the case may be). ~~The Power of Attorney may also be used by the Clearing House to make "free of payment" transfers or cash only transfers where, settlement netting processes, or corporate events make this necessary.~~ Use of the power by the Clearing House facilitates prompt matching of settlement instructions at the relevant ASP and thus helps to eradicate settlement failure caused by lack of timely matching.

The Power of Attorney must be given in the form approved by the ~~Clearing House or the ASP, for use in connection with the relevant ASP. Copies of the Clearing House approved forms are available from the Clearing House's Membership Department on +44 (0)20 7426 7627/7063/7521.~~ ASP approved forms are available directly from the ASP.

Where no Power of Attorney is operated by the Clearing House in respect of an ASP, Clearing Members who carry out settlement themselves or those persons acting as Settlement Agents must input all matching instructions directly to the ASP. In such a case they must match all settlement instructions alleged against them by the Clearing House. In order for matching to occur, each relevant field of data must be populated in respect of each EquityClear trade. It is the responsibility of each member to know and abide by the matching criteria and procedures at each ASP.

In certain circumstances, Clearing Members may request that the Clearing House sends the relevant instructions directly to the Clearing Member's Settlement Agent for input to the ASP, **provided that** the relevant Settlement Agent will accept such instructions. Where this facility is available and Clearing Members wish to use it ~~it~~ shall be without recourse to the Clearing House.

#### ~~2D.9.1.2(b)~~ CREST Eligible Securities

~~Clearing Members who carry out settlement themselves and those persons acting as Settlement Agents may input all settlement instructions for themselves if they so wish. In such a case, they must manually match all settlement instructions alleged against them by the Clearing House.~~



~~Clearing Members may also use the CREST Central Sponsorship arrangements whereby a central sponsor inputs settlement instructions on their behalf. Full detail of these arrangements may be obtained from EUI.~~

~~Clearing Members (and their Settlement Agents) may opt into central sponsorship ("direct input") for EquityClear trades in CREST securities.~~

~~In the case of the LSE's SETS trades, EUI performs the role of central sponsor. For the CREST eligible trades across other ATP's, the Clearing House or its Settlement Agent may act as central sponsor.~~

[Where the Clearing House uses EUI CCP Services participants can use such services.](#)

It should be noted that when a CREST Participant elects on the CREST system to avail himself of central sponsorship the central sponsor is able directly to input settlement instructions on its behalf. The instruction input by the central sponsor will then match with an instruction input by the Clearing House (on its own behalf), or by EUI as central sponsor for the Clearing House in the case of LSE trades.

Clearing Members and their Settlement Agents who opt to net EquityClear trades for delivery with regard to any ATP have the choice of whether to input the net instruction themselves or to use "direct input" (i.e. settlement instructions being input by the central sponsor). EUI will permit central sponsorship arrangements to be conducted with regard to gross settlement or net settlement. Clearing Members are advised to consult the relevant CREST documentation for further details. Clearing Members may opt to have different arrangements in place for different ATPs.

EquityClear trades – LSE

EUI will act as central sponsor for those Clearing Members and Settlement Agents who wish to take advantage of this arrangement. Clearing Members should contact EUI for further details.

The contractual provisions governing the operation of central sponsorship for CREST members are set out at Schedule 4 of EUI terms and conditions.

~~EquityClear trades – ATPs~~

~~Clearing Members and Settlement Agents may appoint the Clearing House to act as central sponsor. Schedule 4 of EUI's terms and conditions will apply to the resulting relationship between the Clearing House or its agent and the CREST Participant.~~

## **2D.9.2.1.8.2** Unmatched Transactions

**2D.9.2.1(a)** Where fulfilment of EquityClear Contract requires settlement via an ASP and where no Power of Attorney system is operated by the Clearing House for the ASP in which settlement will take place (see

~~section 2D.9.1.1),~~ Section 1.8.1(a), Clearing Members must ensure that they have matched successfully with the Clearing House in respect of each EquityClear Contract by the close of the system of the ASP on Trade Date plus one business day (T+1). In the event that matching does not occur with regard to any EquityClear Contract by the time set out above, the Clearing House shall nevertheless continue to calculate margin requirements and require Collateral with regard to the Contract.

~~2D.9.2.2(b)~~ 2D.9.2.2(b) If matching does not occur (in respect of either an individual transaction or a net settlement transaction) but a Clearing Member reasonably believes that this has been caused by incorrect or incomplete data being held by the ASP in respect of an EquityClear Contract to which that Clearing Member is party, it is the responsibility of that Clearing Member promptly to inform the Clearing House and immediately to provide details to the Clearing House. In the event that the Clearing House receives no such details from a Clearing Member it will be entitled to act on the basis that all details, which it has received of that EquityClear Contract (or any transaction created by the ASP for the purposes of net settlement) are correct and that the Clearing Member has failed to match as required by these Procedures.

~~2D.9.2.3(c)~~ 2D.9.2.3(c) The Clearing House will monitor matching performance by Clearing Members or their Settlement Agents. In cases of persistent poor matching performance by or on behalf of any Clearing Member, the Clearing House may notify such Clearing Member with a view to improving performance.

~~(d) Failure to meet the requirements set out above may result in delay~~ (d) Where a Clearing Member does not have sufficient cash and/or failure in credit facilities available the settlement process may be delayed. Any costs and expenses incurred by the Clearing House due to any such delay or failure may be charged directly to the Clearing Member through the Clearing Member's relevant PPS account.

#### ~~2D.10.1.9~~ 2D.10.1.9 **Position m** Management for ccCFDs

Equity, index and spot commodity cleared ccCFDs are all daily rolling cash transfer contracts effectively giving them infinite duration (meaning they do not expire) and do not result in physical settlement in ASPs like cash equities. To close an open ccCFD position, an equal and opposite trade must be performed.

Futures style commodities and rates/bonds ccCFDs will track the futures equivalent prices, which are derived from the relevant ATP, and will expire at given intervals in accordance with the contract terms.

Upon registration in a Clearing Member's account, an EquityClear (ccCFD) Contract will be netted with any existing EquityClear (ccCFD) Contract for the same underlying instrument. The resulting profit or loss will be credited to or debited from the Clearing Member's account daily via PPS.

## ~~Schedule 11~~ SETTLEMENT MANAGEMENT

### 1.10 Settlement Management

#### ~~2D.11.1~~ 1.10.1 Cash Settlement of ccCFD Contracts

The Clearing House will cash settle offsetting EquityClear (ccCFD) Contracts as described in Section ~~2D.10~~ 1.9.

Notwithstanding Section ~~2D.10~~ 1.9 the Clearing House reserves the right to cash settle ccCFD positions where it deems appropriate, ~~including, where a Clearing Member has a short position in particular Eligible Instruments which is recalled.~~

#### ~~1.~~ Stock Recalls

~~In the event that the Clearing House instigates a cash settlement due to a particular Eligible Instrument being recalled, then the Clearing House will cash settle the relevant short ccCFD positions on a pro-rata basis. Members will be contacted by the Clearing House to advise of the ccCFD positions to be closed, the reference price and the relevant amounts to be credited/debited through PPS.~~

#### ~~2D.11.1.2~~ (a) Error Trades

Clearing Members must inform the Clearing House of any suspected Error Trades by no later than 12:00pm on Trade Date plus one business day, providing the relevant ATP trade details. If the ATP deems the trade to be in error under their rules, the ATP will identify the counterparty to the trade(s) and inform them that the trade(s) will be cancelled with immediate effect. The Clearing House will ensure that the relevant ccCFD positions are adjusted and that any financing payments as detailed in ~~section 2D.6~~ Section 1.6 are adjusted to reflect the trade cancellation. Any corporate events that may have occurred between trade date and trade date plus one will also be amended as required.

#### ~~2D.11.2~~ 1.10.2 Intended Settlement Date

Unless the Clearing House provides otherwise by circular, the intended settlement date ("ISD") of an EquityClear Contract will be determined by the rules of the ATP on which the original trade was executed, or, where those ATPs do not set a settlement date, by the rules of the home market of the underlying EquityClear Eligible Security Instrument (as may be varied by the Clearing House to take account of local currency holidays).

The Clearing House will instruct settlement into the ASP accordingly.

#### ~~2D.11.3~~ 1.10.3 Requirement to have sufficient cash and securities

A Failure of a Clearing Member ~~who is a buyer in respect of an EquityClear Contract must ensure that:~~

~~1.1.1 — it has to have sufficient cash and/or credit facilities in place in respect of its nominated cash accounts held by the relevant ASP; and~~

~~1.1.2 — the settlement priority settings in the system of the relevant ASP permit EquityClear Contracts to which it is party,~~

~~to enable settlement on the intended settlement date.~~

~~A Clearing Member who is a seller in respect of an EquityClear Contract must ensure that it has sufficient EquityClear Eligible Instruments held in the relevant settlement system of the ASP and available for use on the ISD to enable EquityClear Contracts to which it is a party to settle.~~

~~Failure of a Clearing Member to meet the requirements set out above may result in delay or failure in the settlement process. Any costs and expenses incurred by the Clearing House due to such delay or failure may be charged directly to the Clearing Member through the Clearing Member's relevant PPS Account.~~

#### ~~2D.11.4~~ 1.10.4 Splitting

The Clearing House's net position will always be zero in any EquityClear Eligible ~~Security~~ Instrument.

However, it is possible that if the Clearing House as buyer does not receive delivery of all the securities to satisfy its position, then the Clearing House may not have sufficient securities to completely fulfil its own delivery obligations as seller in respect of larger netted positions. This can result in the Clearing House holding an amount of securities that it cannot pass on.

If the Clearing House's holding of an EquityClear Eligible ~~Security~~ Instrument is insufficient to fulfil a larger delivery obligation, then in order to reduce overnight financing costs and the risk associated with corporate action processing, the Clearing House may split its fulfilment of that obligation into multiple deliveries. In practice, this will be performed by the Clearing House without the need for counterparty confirmation. Some ASPs offer an auto-splitting service and the Clearing House will use these services where it is available and suitable to its needs.

Where a suitable auto-splitting service is not available, the Clearing House will instruct its own splitting (where permitted by the ASP). ~~— This may involve cancelling the settlement instruction and splitting the cancelled transaction into two or more new (replacement) transactions, and then sending those replacement settlement instructions to the Clearing House's Settlement Agent.~~

If manual splitting requires Clearing Members to rematch, the Clearing House will advise its Clearing Members and agree the relevant details. Clearing Members will then be required to match the Clearing House's cancellation and rematch the subsequent new instructions as per the Clearing House's advice.

Where splitting is possible at an ASP, the Clearing House and Clearing Members must comply by the relevant market deadlines to ensure settlement.

Any costs incurred due to failure to instruct prior to the deadline after agreeing previously to do so will, will be passed onto the relevant Clearing Member.

It should be noted that Selling Members can initiate splitting of trades:

~~(a)~~ (a) where it can be initiated unilaterally in an ASP; or

~~(b)~~ (b) where bilateral instructions are required, by prior agreement with the Clearing House.

#### ~~2D.11.5~~ 1.10.5 Shaping

In those markets where the ASP does not allow splitting, the Clearing House may shape transactions prior to instruction on trade date in order to ensure it maximises liquidity for settlement.

Shaping will be applied per ISIN and quantities will be determined according to the value of the securities. Clearing Members are required to match such shapes as determined by the Clearing House.

If an ASP specifies a cash or stock limit per transaction, the Clearing House will shape transactions accordingly.

#### ~~2D.11.6~~ 1.10.6 Netting

Where the rules of the relevant ATP and ASP permit, the Clearing House will allow Clearing Members to settle their EquityClear Contracts on a net basis. However gross settlement will occur where either it is mandated in the market for settlement or where the Clearing House allows gross settlement of EquityClear Contracts and Clearing Members opt to settle gross.

Clearing Members participating in net settlement arrangements should familiarise themselves with the rules of the relevant ATP and ASP.

For the avoidance of doubt, this Section ~~2D.11.10~~ 1.10 does not relate to the netting of margin.

#### *Aggregation*

In certain circumstances, Clearing Members may opt to settle on an aggregate basis, across all of their buys and sells. Details of the various aggregation options can be found in the Service Description documentation.

#### *Cross Trade Source Netting*

In addition, where the rules of the relevant ATP and ASP permit, the Clearing House will allow Clearing Members the option to settle their EquityClear Contracts on a single net basis across selected ATP's.

#### ~~2D.11.6.1~~ (a) Trade date netting

If a Clearing Member elects to settle on a net basis, the Clearing House will net that Clearing Member's obligations on a trade date basis. Trade date netting will be applied to EquityClear Contracts:

~~1.1.1~~ (i) for a particular EquityClear Eligible ~~SecurityInstrument~~;

~~1.1.2~~ (ii) that arise from trades executed on the same trade day;

~~1.1.3~~ (iii) \_\_\_\_\_ with the same settlement date;

~~1.1.4~~ (iv) \_\_\_\_\_ in the same currency and reported for settlement through the same ASP cash account and security account (for example, in the case of CREST, this will be the same CREST participant member account; in the case of Euroclear, this will be the same settlement account; and in the case of SIX SIS, this will be the same B.P. ID); and

~~1.1.5~~ (v) in accordance with any other relevant requirements prescribed from time to time by the relevant ATP and ASP.

If an EquityClear Contract is eligible for trade date netting, that contract will be referred to as a "Nettable Contract".

Where permitted by the laws, rules and regulations (including tax laws) of the relevant jurisdictions, the Clearing House will aim to allow Clearing Members to net settlement positions in one EquityClear Eligible ~~SecurityInstrument~~ ISIN code across ATP's. The provision of such service is subject to there being no regulatory prohibition and there being no prohibition on such netting in the rules and regulations of the relevant ATPs. Prior to providing such service, the Clearing House will give the relevant ATPs notice of the Clearing House's proposed action and will obtain the consent from each Clearing Member.

#### ~~2D.11.6.2~~ (b) Net settlement

In order to settle net, a Clearing Member ~~(or its relevant Settlement Agent and NCM)~~ must comply with the requirements set out in this Section ~~2D.11.10.6~~ and the rules of the relevant ATP and the ASP.

If a Clearing Member enables settlement netting in an ASP, the Clearing House will treat that arrangement as the Clearing Member's agreement to participate in net settlement for all Nettable Contracts. In particular, the Clearing Member agrees to:

~~2.1.1~~ (i) the delivery ~~to~~ by it ~~to~~ by the Clearing House or receipt by it from the Clearing House of a net amount of EquityClear Eligible Instruments in respect of the relevant Nettable Contracts, in accordance with the rules of the relevant ATP and ASP; and

~~2.1.2~~ (ii) the payment to it by the Clearing House or payment by it to the Clearing House of a net amount of cash in respect of the relevant Nettable Contracts, through the relevant cash account of the ASP.

In each case, delivery or payment of the net amount under such settlement netting arrangements, in accordance with these Procedures and all applicable rules and procedures of the relevant ATP and ASP, will constitute full and final performance of the delivery or payment obligations between the Clearing House and the relevant Clearing Member in respect of each Nettable Contract.

Member reports of netted trades are available via extranet reporting (~~www.lchclearnet.com~~[www.lchclearnet.com](http://www.lchclearnet.com)).

**2D.11.6.3(c)** Nettable Contracts settled in EUI

If a Nettable Contract is settled in EUI and the Clearing House uses CREST CCP Services, a Clearing Member must set its CREST member account to allow settlement netting with the relevant LCH.Clearnet account. CCP Services operates as per the Crest Manual which is published by EUI.

It should be noted that trades in Irish Securities traded on an agency basis will ~~only~~ be settled on an aggregate or gross basis.

**2D.11.6.4(d)** Non-Standard Nets

Netting can result in both standard and non-standard nets. The types of nets are laid out in the table below.

<b>Description</b>	<b>Stock</b>	<b>Cash</b>
<u>Standard nets</u>		
Delivery versus payment (DVP)	Deliver	Receive
Receipt versus payment (RVP)	Receive	Deliver
<u>Non-Standard nets</u>		
Delivery free of payment (DFP)	Deliver	Net to 0
Receipt free of payment (RFP)	Receive	Net to 0
Delivery with payment	Deliver	Deliver
Receive with payment	Receive	Receive
Cash payment	Net to 0	Deliver
Cash receipt	Net to 0	Receive
Null settlement	Net to 0	Net to 0

Clearing Members must ensure that, where appropriate, they match the netted instructions sent to the relevant ASP or their Settlement Agent by the Clearing House.

Where the Clearing House is due to pay cash only, it will instruct the relevant ASP or its Settlement Agent to credit an account nominated by



the Clearing Member (or the account of the Clearing Member's Settlement Agent).

Where the Clearing House is due to receive cash only, Clearing Members must ensure that the correct payment instruction reaches the Clearing House or the Clearing House's Settlement Agent (details as set out in ~~Appendix 2D.E~~.[Schedule 5](#)). However, where LCH uses CCP services at EUI cash only instructions will be automatically created and settled. Failure by the Clearing Member to pay cash on the settlement date may result in the Clearing House debiting the appropriate funding costs through that Clearing ~~Member's PPS account. If the proceeds are still outstanding after 10 business days, the funds (together with the relevant funding costs) will be debited from the Clearing Member's PPS accounts~~[Member's PPS account](#).

~~Delivery with payment and Receive with payment net settlements will be split into stock only and cash only instructions and settled separately. The exception to this is CCP services within EUI, SIX SIS settlement and Euroclear Bank settlement which all allow for messages instructing securities and cash in the same direction.~~

The Clearing House will net on a daily basis ~~net~~ a Clearing Member's cash only payments by currency.

Details of the Clearing House cash payment instructions are listed in ~~Appendix 2D.E~~.[Schedule 5](#).

Null settlements will generally not require an instruction to the relevant ASP or settlement agent. Where an instruction is required it will be generated and require matching as necessary. Clearing Members participating in such net settlement arrangements should familiarise themselves with the rules of the relevant ATP and ASP.

#### ~~2D.11.6.5~~[\(e\)](#) Underlying obligations unaffected

Clearing Members should note that participation in net settlement arrangements does not in any way affect the existence or terms of the EquityClear Contracts that constitute any set of Nettable Contracts. ~~Each EquityClear Contract remains in existence according to its terms until it is settled in accordance with these Procedures and the rules of the ATP from which it has arisen, save that participation in such arrangements provides for a permitted method of performance of the obligations to make or take delivery of the relevant EquityClear Eligible Instruments and consideration in respect of each such contract.~~

~~Accordingly, the underlying obligation or right to sell or buy the number of EquityClear Eligible Instruments referred to in each such EquityClear Contract and right or obligation to receive or pay the agreed consideration, remain valid and operative terms of such EquityClear Contract notwithstanding that a net settlement arrangement may be in place with the Clearing House.~~



~~6. Settlement netting at the Clearing House's discretion~~

~~The Clearing House's provision of settlement netting in accordance with this Section 2D.11 is at the Clearing House's discretion and without prejudice to its powers and rights under the General Regulations and Default Rules. In particular, the Clearing House may, in its absolute discretion, decline to participate in settlement netting following the issuance of a default notice to a Clearing Member.~~

~~2D.11.7~~1.10.7 Liability for settlement failures or delays

The systems and procedures that enable or facilitate the settlement and delivery of EquityClear Eligible Instruments (including net settlement) are operated in respect of each ATP by a third party, being the ASP. The ASP's operation of those systems and procedures is governed by its own agreements with its members. The ability of the Clearing House to carry out its obligations to Clearing Members (including but not limited to those set out in any Clearing Membership Agreement and the Rulebook) with regard to settlement and delivery of any EquityClear Eligible Instruments arising from EquityClear Contracts may be affected by the relevant ASP's activities and its operation of the settlement and delivery system it provides. The Clearing House can accept no responsibility whatsoever if, as a result of any failure or omission by the ASP or any failure or omission occurring in the ASP's systems, the Clearing House fails to settle or deliver any EquityClear Eligible Instruments or cash consideration by the times set out in these Procedures or the rules of the ATP, or at all.

~~Schedule 12~~**FAILED SETTLEMENTS**

~~**Part A**In the event that any delivery to the Buying Member or its agent of EquityClear Eligible Instruments in respect of any EquityClear Contract, including the delivery of any net amount of EquityClear Eligible Instruments in respect of any set of Nettable Contracts, has not been finalised by that Buying Member before close of settlement in the settlement system of the ASP on the ISD and this has been caused by the failure or omission to match by or on behalf of the Buying Member where a POA is not in place, or the failure or omission by that Member to have sufficient funds available within that settlement system, the Clearing House may take steps to investigate and review the situation.~~

~~In the event that such failed settlement does subsequently take place and a cost is incurred by the Clearing House, the Buying Member will be liable to reimburse the Clearing House for all costs incurred. The Clearing House is entitled to collect such costs through the PPS and debit the appropriate PPS account of that Buying Member accordingly.~~

~~Where any delivery in respect of an EquityClear Contract, including the delivery of any net amount of EquityClear Eligible Instruments in respect of any set of Nettable Contracts, has not been finalised by or on behalf of the Selling Member prior to close of settlement in the settlement system of the ASP system on the intended date of settlement, the Clearing House shall treat this as a settlement failure.~~

## 1.11 Failed Settlements

The Clearing House will continue to apply initial and variation margin obligations until settlement is achieved.

~~The Clearing House will monitor settlement performance by Clearing Members or their agents. In cases of persistent poor settlement performance by or on behalf of any Clearing Member, the Clearing House will be entitled in its discretion to increase Initial Margin requirements in respect of any EquityClear Contracts to which that Clearing Member is party.~~

The Clearing House will, in accordance with Article 15 of the European Short Selling Regulation, levy charges on any failing short positions.

### ~~2D.12.2~~1.11.1 Buying-In

In the event that a settlement failure remains at the end-of-day on ISD, the Clearing House, will automatically commence the buy-in process under these Procedures and notify Clearing Members accordingly.

#### ~~2D.12.2.1~~(a) Buying-In: Exceptional Turquoise Norwegian Contracts

As soon as reasonably practical the Clearing House will contact Clearing Members who have failed to deliver Exceptional Turquoise Norwegian Contracts to ascertain the reason for non-delivery. The Clearing House will request Clearing Members make the share transfer immediately within the settlement timetable as dictated by the Norwegian ASP VPS.

In the event that a Selling Member does not fulfil its delivery obligations in respect of any Exceptional Turquoise Norwegian Contracts on the intended settlement date, the Clearing House may, in order to satisfy the terms of that contract arrange in its absolute discretion to purchase or borrow the relevant amount of securities. When acting pursuant to this provision, the Clearing House is not obliged to have regard to or comply with any rules of Turquoise Derivatives London.

The Clearing House will provide the Selling Member with a report notifying the Selling Member of the intended date at which buying-in will take place. In the event that the Selling Member still does not deliver the relevant securities prior to the close of settlement in VPS on the date specified in the buying-in notice, the Clearing House will purchase or borrow the relevant number of securities required to satisfy the relevant Exceptional Turquoise Norwegian Contracts for the shortest settlement period possible and deliver them to the Buying Member. The Clearing House will delete its original transaction(s) against the Selling Member in such circumstances.

Where the Clearing House has been obliged to purchase or borrow securities it will endeavour to settle the Exceptional Turquoise Norwegian Contracts within 5 business days.

Where buying-in is carried out by or on behalf of the Clearing House, the Selling Member concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in so doing, and the Clearing House is entitled to debit the appropriate PPS account of that Selling Member with an amount equal to those costs and expenses. The Clearing House will charge an administration fee of £50 plus VAT to the Selling Member.

In certain circumstances, which will be specified by the Clearing House, Buying and Selling Members should be aware that the Buy-In process may be delayed or expatiated.

#### ~~2D.12.2.2~~(b) Clearing House Buying-in process

Prior to executing a buy-in on a failed settlement the Clearing House will determine whether there are corresponding settlements due from the Clearing House prior to the settlement due date of the potential buy-in. The Clearing House will buy-in any resulting net fail using commercially reasonable efforts. The buy-in execution date will be ISD+5 except where the failed settlement is covered by the registered market maker scheme in which case it ~~will be~~ will be ISD+11.

The Clearing House will instruct for settlement a successful buy-in against the failing Selling Member. The consideration will include any transaction charges arising from the buy-in execution. The failing Selling Member is required to match the Clearing House's instruction.

It remains the responsibility of the Selling Member to ensure that the bought in transaction settles on the ISD and that the securities delivered by the Clearing House are used to settle the original outstanding transaction against which the buy-in-report was issued. If the securities are not used to satisfy the original outstanding transaction then the Clearing House will immediately instigate a further Buy-in.

If the Clearing House is unable or for any reason fails to buy-in the full amount of such Securities on Buy-In Day, the Clearing House will use commercially reasonable efforts to buy-in thereafter. If, by the close of business on the twentieth business day after ISD, the Clearing House has not successfully bought-in the full amount of such Securities, the Clearing House may ~~“Cash Settle”~~ “Cash Settle” the relevant EquityClear Contract(s) pursuant to Section ~~2D.12.3~~ 1.11.2.

#### ~~2D.12.2.3~~(c) Charges

Where a Buy-in is executed, the Selling Member concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in ~~carrying out the buying-in~~. Such costs and expenses will include any transaction and other charges incurred by the Clearing House to its buy-in agent. The Clearing House will also charge

an administration fee per buy-in executed-. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and applicable VAT through the PPS and debit the appropriate PPS account of that Selling Member accordingly.

### ~~2D.12.3~~1.11.2 Cash Settlement

In the event that buying in settlement cannot be achieved as described in Section ~~2D.12.2.2~~1.11.1(b) after ISD+20, then the Clearing House may ~~cash-settle~~Cash Settle any outstanding transactions at 120% per cent. of the last available closing price, or any other price depending on specific circumstances in accordance with the last paragraph of this Section ~~2D.12.3~~1.11.2. Buying members should note that, where an interoperating CCP cash settles under a linked contract, cash settlement may occur prior to ISD+20.

The Clearing House will delete the outstanding transactions in the relevant ASP, which the Buying and Selling Members will be required to match delete (where applicable) by the close of settlement no later than 24 hours after the Clearing House deletion. The Clearing House will enter a cash only delivery into the relevant ASP for settlement ~~on T+3~~as soon as possible for the relevant cash settlement amount.

Where the member fails or omits to match the cash only instruction input by the Clearing House, then the Clearing House reserves the right to collect or pay the relevant funds through the PPS account of the Clearing Member.

Where the last available closing price at 120% per cent. is below the original traded price at the time cash settlement occurs, the Clearing House will pass onto the Buying Member any credit due to the Selling Member as a result of the cash settlement.

In the situation where the Clearing House holds cross-settled, EquityClear Contracts i.e. the transaction considerations may not be equal, the Clearing House may, in its absolute discretion, charge the Buying Member and/or Selling Member such amounts as is necessary to ensure that the Clearing House does not incur a loss.

Where settlement of any EquityClear Eligible Instruments cannot take place because of a court, administrative or regulatory order or because of an insolvency event affecting the Issuer of such Securities, or any of the above, the Clearing House may in its discretion, give notice to Clearing Members who are party to open EquityClear Contracts in respect of those Securities, that such Contracts will be ~~cash-settled~~Cash Settled at such price as the Clearing House may set in its reasonable discretion. Clearing Members should note that in such circumstances the reference price may be NIL.

### ~~Schedule 13~~BAD DELIVERY

## 1.12 Bad Delivery

Where settlement is unfulfilled or unwound within the system of the ASP for any reason, ~~(for example, in the event that an Issuer or its registrar refuses to register the transfer, or the transfer is otherwise legally incomplete)~~ then the Clearing House has the right to give such directions as it considers appropriate to the Clearing Members who are party to the relevant EquityClear Contracts in order that settlement and delivery may be achieved at the earliest opportunity.

## ~~Schedule 14 TAX LIABILITY~~

## 1.13 Tax Liability

In the event that the Clearing House incurs any liability to pay any tax (including but not limited to any stamp duty, income tax, withholding tax and corporation tax) in respect of any dividend or other income or taxable benefit from any EquityClear Eligible ~~Security Instrument~~ or in respect of any Corporate Event related to any EquityClear Eligible ~~Security Instrument~~ (in each case being an EquityClear Eligible ~~Security Instrument~~ which is the subject of an EquityClear Contract), then it shall have the right to require reimbursement in respect of such tax liability and any costs and other expenses incurred by the Clearing House in relation thereto, from the Clearing Member who is or was party to the EquityClear Contract concerned, and whom, in the Clearing House's reasonable opinion should be responsible for meeting such tax payment, costs and expenses. The Clearing House is entitled to debit such amounts from the relevant PPS account of that Clearing Member.

Clearing Members are requested to familiarise themselves with all relevant requirements and procedures of each relevant ASP with regard to withholding and other taxes.

## ~~Schedule 15 Corporate Actions CORPORATE ACTIONS~~

## 1.14

All key terms referred to in this Section ~~2D.15.1.14~~ have the meanings set forth in a Glossary annexed to this document as ~~Appendix 2D.A~~ Schedule 1.

### ~~2D.15.1.14.1~~ 1.14.1 Introduction

This Section ~~2D.15.1.14~~ sets out the Clearing House's generic process for managing Corporate Actions that arise in relation to EquityClear Contracts arising from a trade executed on any ATP (an ~~"ATP Match"~~). If there are specific differences that apply to any of the ATPs they may be identified below.

Where a Corporate Action occurs that is not addressed in this Section ~~2D.13.1.14~~, the Clearing House will, where necessary, direct Clearing Members as to the process they will be required to follow.

### ~~2D.15.2.1.14.2~~ 1.14.2 Corporate Actions for ccCFDs

Unless otherwise stated, the provisions of Section ~~2D.15.1.14.4~~ to Section ~~2D.15.1.14.8~~ apply only to Corporate Actions for EquityClear (Equities)

Contracts. The provisions of Section ~~2D.15.1.14~~.4 to Section ~~2D.15.1.14~~.8 that relate to Corporate Actions for EquityClear (ccCFD) Contracts are clearly identified.

Further information relating to the management of Corporate Actions for EquityClear (ccCFD) Contracts is set out in the ccCFD Corporate Action Management Policy document that is available from the Clearing House. The ccCFD Corporate Action Management Policy document forms part of the Clearing House's Procedures and should be read in conjunction with the provisions of this Section ~~2D.1~~, particularly Section ~~2D~~.1.8.

### ~~2D.15.3~~1.14.3 Governing Principles

#### ~~2D.15.3.1~~(a) Liability of the Clearing House

While the Clearing House will do what it reasonably can to do the things set out in these Procedures, it shall have no liability for any loss or damage arising out of or connected with any act or omission on its part or on its behalf in connection with any Corporate Action. The Clearing House shall be under no obligation to give effect to any instruction made by or on behalf of a Clearing Member or do any act required to obtain any benefit, dividend, stock or other thing arising out of such Corporate Action.

The Clearing House shall not be responsible for any act or omission with regard to any Corporate Action (for example a rights issue, dividend or Cash Equivalent Dividend Payment or other corporate entitlement) relating to any EquityClear Eligible Instrument which is the subject of any EquityClear Contract, other than as set out in these Procedures.

#### ~~2D.15.3.2~~(b) Corporate Action information and accuracy

The Clearing House does not provide Clearing Members with any information in relation to Corporate Actions announcements. The Clearing House is not responsible for forwarding any information or delivering any notice or instruction received. ~~Clearing Members should continue to rely upon their current providers for this service.~~

The Clearing House is not responsible for, and accepts no liability in relation to, the accuracy for any relevant data provided by ASPs or information vendors in regard to Corporate Action events but will make reasonable efforts to resolve any difference highlighted by Clearing Members.

#### ~~2D.15.3.3~~(c) Clearing House processing of Corporate Actions

The Clearing House will not process any Corporate Action consisting of a right to vote.

The Clearing House will process Corporate Actions on Entitled Transactions or Positions (which includes unsettled and Pending Transactions) as set out in these Procedures and based on its records of

those transactions or positions. Where net settlement arrangements apply, the Clearing House will calculate and apply Corporate Actions to a Clearing Member's net position and not to the individual trades making up that position.

In the case of any uncertainty as to how a Corporate Action should be treated, the Clearing House, at its absolute discretion, will determine the treatment of any specific Corporate Action as appropriate. This includes situations where the Clearing House is unable to settle a particular corporate event outcome.

Where permitted, Clearing Members are responsible for notifying the Clearing House of an election in relation to a Corporate Action in accordance with these Procedures. The Clearing House will not solicit responses from Clearing Members on elective events and will only act upon an instruction received from Clearing Members given in accordance with these Procedures. The Clearing House reserves the right to reject any elections from Clearing Members that would result in a residual outcome or an outcome that cannot be settled by the Clearing House.

Except as otherwise provided in these Procedures or the Rulebook, each Clearing Member (and/or its Settlement Agent) is solely responsible for the notification, satisfaction and reconciliation of any entitlement that is the result of a Corporate Action. All claims should be settled on the ISD and Clearing Members must not take any action to prevent timely settlement.

If a Corporate Action results in the creation of a position in cash or securities, the Clearing House will calculate and collect the Collateral required in respect ~~to~~ of the initial margin and/or variation margin ~~requirements~~ on a case-by-case basis. Each Clearing Member should ensure that it has made appropriate arrangements to meet such margin calls.

#### ~~2D.15.3.4~~(d) Clearing Member Obligations

The terms of a Corporate Action will establish whether a Clearing Member is affected by that event. It is the responsibility of the Clearing Member to ensure that it complies with the terms and conditions (including any restrictions) that apply to a Corporate Action. If permitted, when a Clearing Member issues a Buyer Election Notice to the Clearing House in accordance with Section ~~2D.15.6, 1.14.6(b)~~, the Clearing Member agrees to indemnify the Clearing House in respect of any loss suffered by the Clearing House as a result of that Clearing Member's breach of the terms and conditions of the relevant Corporate Action.

Where a Clearing Member fails to take delivery from the Clearing House that results in the Clearing House incurring a cost due to a Corporate



Action, the Clearing House may recover such costs from the Clearing Member via the Clearing Member's PPS account.

#### 2D.15.3.5(e) Use of Settlement Agents

~~A Clearing Member may when required, in accordance with Section 2D.1.6, use a Settlement Agent (which may be the relevant ASP) to settle its obligations under an EquityClear Contract.~~ The Clearing House may instruct, and may accept instructions from, a Clearing Member's Settlement Agent in relation to a Corporate Action, subject to Section 2D.1.6.1.1.6. However, Clearing Members remain directly responsible for compliance with these Procedures, including the timely submission of any instructions that may be given by a Clearing Member and any liabilities arising as a result of a Corporate Action.

The Clearing House has no contractual relationship with a Clearing Member's Settlement Agent and shall owe no duty of care nor have any liability whatsoever to such Settlement Agent (whether that person is a Member or not) or any other person in the event of any act or default of such Settlement Agent, or with regard to any matter arising out of or in connection with these Procedures.

#### ~~6. What the Clearing House does not do~~

~~The Clearing House will not process any Corporate Action consisting of a right to vote.~~

#### 2D.15.4.1.14.4 Mandatory Events

~~A Mandatory Event is an event that is initiated by the issuer of a security that affects all holders of that security, including the underlying security of an EquityClear Eligible ccCFD. Participation of shareholders is mandatory although some events may give shareholders an option to determine the outturn received.~~

~~Mandatory Events can be further split into three categories:~~

~~1.1.1 — mandatory transformations;~~

~~1.1.2 — mandatory distributions; and~~

~~1.1.3 — mandatory distributions with options.~~

~~An Entitled Transaction (whether failed or pending) whose underlying security is subject to a Mandatory Event will also be subject to the Mandatory Event if it is open during the relevant dates of the event.~~

#### ~~2. Mandatory Transformations~~

~~Mandatory Transformations include events such as stock splits, reverse stock splits, exchanges, conversions, changes, mergers, and redenominations. In each case, a Mandatory Transaction results in a transformation of the underlying security. Members are not permitted to opt out of a Mandatory Transformation~~



~~affecting an Entitled Transaction. Entitled Transactions will be determined by the terms of events.~~

~~Where a Mandatory Transformation results in an EquityClear Eligible Instrument being converted into another instrument with a different ISIN, or wholly to cash, all Entitled Transactions or Positions are cancelled (where required by local market rules) and replaced by transactions or positions in the new EquityClear Eligible Instrument, or a cash distribution, pursuant to the terms of the event.~~

~~In some markets, the cancellation and replacement of Entitled Transactions is performed automatically by the ASP. In those instances, the Clearing House will, upon confirmation of the terms of the Mandatory Transformation, update its records to transform the Entitled Transactions in accordance with the terms of the Mandatory Event.~~

~~In those markets in which the ASP does not automatically cancel and replace Entitled Transactions to reflect the Mandatory Transformation, Clearing Members (or their Settlement Agents) must cancel the relevant instructions and replace them with new instructions reflecting the Mandatory Transformation, in accordance with the procedures established by the ASP or as directed by the Clearing House.~~

~~The delay or failure of a Clearing Member to cancel and replace instructions may result in delay or failure of the settlement process. Any costs and expenses incurred by the Clearing House due to any the Clearing Member's delay or failure may be charged directly to the Clearing Member through the Clearing Member's relevant PPS account.~~

~~In the case of ccCFDs, the cancellation and replacement of Entitled Positions is performed automatically by the Clearing House. In those instances, the Clearing House will, upon confirmation of the terms of the Mandatory Transformation, update its records to transform the Entitled Positions in accordance with the terms of the Mandatory Event.~~

~~Except for any amendments to an EquityClear Contract that are necessitated by a Mandatory Transformation, the terms of each EquityClear Contract shall remain unchanged.~~

~~CREST only transformations:~~

~~In the event that particulars of an EquityClear Contract involving EquityClear Eligible Instruments on which a transformation is taking place, remains unmatched in CREST for ten (10) Business Days after the expiry date for those securities, it will be deleted in CREST in accordance with the CREST Manual. The Clearing House will then manually re-enter the particulars of that EquityClear Contract which will include particulars of the New Securities. Any Clearing Member who does not match in CREST prior to any such deletion in CREST, must immediately input matching instructions in order to match with those new particulars.~~

### ~~3. Mandatory Distributions~~

~~Mandatory Distributions are events such as cash dividends, Cash Equivalent Dividend Payments, stock dividend, scrip/optional bonus share distribution, stock splits, spin-off, or rights. In each case, a Mandatory Distribution will result in a distribution of cash or securities to those holding the relevant security on the Record Date.~~

~~If an Open Transaction was executed prior to the Ex-Date but has not either reached the ISD or settled in the relevant market prior to or on the Record Date, then the Buying Member is entitled to the benefit distributed on the Pay Date. Transactions executed on or after the Ex-Date carry no benefit entitlement to the Buying Member and the Clearing House will take no action in respect of these positions.~~

~~If there is a ccCFD position created prior to Ex-Date and still open at close of business on Ex-Date 1, then a Buying Member is entitled to the cash equivalent benefit. Positions created on or after the Ex-Date carry no benefit entitlement to the Buying Member and the Clearing House will take no action in respect of these positions. Selling Members will be liable for any benefit if they have a position created prior to Ex-Date and still open at close of business on Ex-Date 1.~~

~~If there are Open Transactions that are subject to a Mandatory Distribution, either the ASP (in those markets in which the ASP automatically processes the Mandatory Distribution) or the Clearing House's Settlement Agent (in those markets in which the Clearing House's Settlement Agent processes claims directly) or the Clearing House, will distribute the entitlement, or set up claims representing the entitlement to reflect the cash or securities due under the terms of the Mandatory Distribution. It should be noted that in some markets, the ASP automated process for cash distributions may result in an adjustment to the cash consideration of the underlying transaction.~~

~~On the Effective date or Pay Date, as appropriate, the relevant ASP or the Clearing House will credit and debit the accounts of the Clearing House and Clearing Members, according to the terms of the Mandatory Distribution. All such processing, including cash claims processing and collection, will be performed on behalf of the Clearing House, either by the relevant ASP, or directly between the Clearing House's Settlement Agent and the Settlement Agents, or posted by the Clearing House for the affected Clearing Members. As a result, the timing of compensation processing will be determined by the ASP or the Settlement Agents or the Clearing House. If any claims remain outstanding for more than 30 business days, the Clearing House reserves the right to debit or credit the PPS accounts of the responsible Clearing Members.~~

~~Dividend/cash entitlements can be subject to withholding tax in certain markets. The Clearing House will always compensate cash claims on a net-of-tax basis ("Net Rate"), using the relevant market tax rate. If a Clearing Member is entitled to receive a more beneficial tax treatment in a particular market, then it will need to deal directly with the relevant tax authority. Under no circumstance will the Clearing House reclaim tax on a Clearing Member's behalf. It should also be noted that the Clearing House does not provide tax vouchers.~~

~~Further to Section 2D.14 in In the event that the Clearing House incurs any liability to pay any tax in respect of any dividend or other income in respect of any Corporate Action then it shall have the right to require reimbursement in respect of such tax liability from the Clearing Member who is or was party to the EquityClear Contract concerned. The Clearing House is entitled to debit such amounts from the relevant PPS account of that Clearing Member.~~

~~For Failed Transactions in an Italian security, the Clearing House will may compensate cash distributions at 103.56% per cent. of the net~~

dividend amount or the relevant rate as may vary from time to time in line with the compensation practice of trades executed on Borse Italiana. The Clearing House will also compensate failing rights at the value of the rights multiplied by ~~170%~~ or the relevant rate as may vary from time to time in line with the compensation practice of trades executed on Borse Italiana.

On the record date of a corporate event on an Italian security, members are not permitted to deliver securities to the Clearing House after 12pm (UK time). In the event that securities are delivered to the Clearing House after 12pm then the Clearing House reserves the right to pass on any costs that it may incur in the event that it holds securities in its account at the close of settlement.

#### ~~2D.15.4.4~~(a) Mandatory Event with Options

“Mandatory Events with Options” are events such as:

~~4.1.1~~(i) scrip dividends;

~~4.1.2~~(ii) dividends payable in alternative currencies or drips; and

~~4.1.3~~(iii) specific schemes of arrangements in which the issuer of a security offers the beneficial owner a choice in the type of outturn it will receive.

In the absence of an election, Entitled Members will receive the default outturn as dictated by: (a) the terms of the event; or (b) if no event default has been announced, the default applied by the relevant ASP or the Clearing House.

#### Dividends with options

If a Mandatory Event with Options is a dividend with options then with the exception of CREST, the Clearing House will accept Buyer Election Notices on scrip dividends and currency election dividends in accordance with the process described in Section ~~2D.15.1.14~~.6. In the event that no election is received, the Clearing House will apply the default as dictated by the terms of the event or, if the event does not have a default, the option applied by the relevant ASP, or the Clearing House, as the default option.

Buyer Election Notices on ~~Dividend Reinvestment Plans~~dividend reinvestment plans will not be accepted by the Clearing House.

#### Interim Securities

In some local markets, a Mandatory Event with Option may be processed by distributing to Entitled Members an Interim Security representing the options available. In those markets, transactions reflecting the Interim Securities will be automatically created by the ASP or Clearing House if an Open Transaction is open over the Record

Date. In such cases, the Clearing House will attempt to settle these Interim Securities prior to any election deadlines. However, if on the Effective Date there are still outstanding Interim Securities in respect of optional cash distribution events, then the default option will be applied to the open interim transactions and the Interim Securities will be transformed accordingly.

Last Time for Delivery of ~~Nil Paid Rights~~nil paid rights in CREST

In the case of CREST, Selling Members are not permitted to deliver ~~Nil Paid Rights~~nil paid rights after the last time for delivery (the last time for delivery, unless otherwise advised, is the close of settlement in the CREST, one Business Day prior to the registrar's deadline for call payments, registration or elections).

In the event that ~~Nil Paid Rights~~nil paid rights are delivered by a Selling Member after the last time for delivery, the Clearing House will attempt to deliver the securities back to the Selling Member, who will remain liable for delivering the chosen option as required by the Buying Member.

Other events

For all other Mandatory Events with Options, the ~~Buyer Election Process~~buyer election process set out at Section ~~2D.15.6~~1.14.6 will be followed.

For ccCFD ~~P~~positions, Buying Members with long ccCFD positions will not be permitted to elect upon Mandatory Events with Options and will receive the default as determined by the Clearing House. Therefore the procedures outlined in Section ~~2D.15~~1.14.6 do not apply to Buying ~~m~~Members with ccCFD ~~P~~positions. Selling Members holding short ccCFD ~~P~~positions subject to a Mandatory Event with Options may receive Allocation Notices from the Clearing House as detailed in ~~s~~Section ~~2D.15~~1.14.6-3(c) and will be liable for the outturn due.

#### ~~2D.15.5~~1.14.5 Voluntary Corporate Actions

Voluntary Corporate Actions are events such as tender offers, takeovers or calls on rights securities. An Entitled Member may choose whether or not to participate in a Voluntary Corporate Action.

A Buying Member that is an Entitled Holder may submit a Buyer Election Notice in relation to a Voluntary Corporate Action, in accordance with the ~~Buyer Election Process~~buyer election process detailed below at Section ~~2D.15.6~~1.14.6.

In the absence of an election from the Buying Member, the default option of the Voluntary Corporate Action will be applied to Entitled Transactions. Where a Voluntary Corporate Action does not have a default option, the default is set by

the relevant ASP or the Clearing House. In most cases the default option is no action, and the Entitled Transaction will not be affected.

For ccCFDs, Buying Members holding long ccCFD positions will not be permitted to elect upon ~~Voluntary Events~~voluntary events and will receive the default as determined by the Clearing House. Therefore the procedures outlined in ~~2D.15.1.14.6~~ do not apply to Buying ~~m~~MMembers with ccCFD ~~P~~Positions. Selling Members holding short ccCFD ~~P~~Positions subject to a ~~Voluntary Event~~voluntary event may receive Allocation Notices from the Clearing House as detailed in ~~s~~Section 2D.15.1.14.6.3(c) and will be held liable for the outturn due.

#### ~~2D.15.6~~1.14.6 Buyer Election Process

An Entitled Member may notify the Clearing House of its election in relation to a Mandatory Event with Options or a Voluntary Corporate Action by submitting a Buyer Election Notice in accordance with the following procedures.

##### ~~2D.15.6.1~~(a) Deadlines and Interim Securities

The CCP Deadline is the time set by the Clearing House by which an Entitled Holder must submit a Buyer Election Notice. The CCP Deadline is based on the terms of the Corporate Action and any restrictions applied by the ASP and/or the Clearing House's Settlement Agent. ~~Appendix 2D.B~~ Schedule 2 sets out the relevant CCP Deadlines by type of event.

In markets in which Interim Securities are distributed as part of the initial event, such as a rights issue, for the purposes of processing these events these Interim Securities transactions will be treated as Open Transactions.

##### ~~2D.15.6.2~~(b) Buyer Election Notices

Buying Members that have not received their securities or Interim Securities on or before the relevant Deposit Deadline or Acceptance End Date and that choose to participate in a Corporate Action, must submit a correctly completed "**Buyer Election Notice**" (see ~~Appendix 2D.F~~Schedule 6) to the Clearing House via email or fax to the Clearing House contacts specified in that notice.

A Buyer Election Notice must be submitted before the relevant CCP Deadline. It is the Buying Member's responsibility to ensure that receipt of the Buyer Election Notice is confirmed by the Clearing House. The Clearing House will confirm the transaction is ~~O~~Open and ~~E~~Entitled and will then ~~phone~~ the Buying Member by telephone to verify the election option that will be actioned.

Notwithstanding the receipt of a correctly formatted Buyer Election Notice, if prior to the Market Deadline, the Clearing House is in a position to deliver the Eligible ~~Securities~~Instruments underlying the

Open Transactions or Interim Securities, or a partial of either by splitting the instruction, then it reserves the right to do so.

#### 2D.15.6.3(c) Allocation Notices

Buyer Election Notices that are received from Buying Members by the CCP Deadline will be allocated to Selling Members with relevant Entitled Transactions using the Allocation Algorithm Methodology. The Clearing House will notify Selling Members of the allocation via an "Allocation Notice."

Allocation Notices are created using the Allocation Algorithm Methodology that matches Buying Members with Selling Members in the following order: (1) an outstanding settlement obligation of equal size; then (2) an outstanding settlement obligation of greater size; and (3) an outstanding settlement obligation of greatest size (i.e. the largest available if the largest available is smaller than the elected position).

The allocation process will be completed by the times outlined in Appendix 2D.B. Schedule 2. The Clearing House will apply reasonable endeavours (but shall not be required) to notify, and confirm receipt by, those Selling Members to whom liability is allocated prior to the Allocation Deadline. The Clearing House may, if it reasonably determines that the circumstances warrant, accept a Buyer Election Notice after the CCP Deadline in which case (and notwithstanding any Allocation Deadline), the Clearing House will allocate that election to Selling Members with Entitled Transactions in accordance with the Allocation Algorithm Methodology as promptly as practicable thereafter.

Each Selling Member should note that if it holds an Entitled Transaction (including by reason of a failure to match its settlement obligations), the Clearing House may issue that Selling Member with an Allocation Notice to satisfy a Buyer Election Notice. Accordingly, each Selling Member should be prepared to fulfil any Allocation Notice that it receives, in accordance with these Procedures.

If by the CCP Deadline, a Selling Member has not settled an Entitled Transaction, that Selling Member will be liable for the outturns of the offer in addition to other actions (e.g. buy-in) that may result from its failure to deliver, as provided in these Procedures.

#### 2D.15.6.4(d) Clearing House Holdings at an ASP

In the event that the quantity of Buyer Election Notices received from Buying Members exceeds the quantity of Selling Member Entitled Transactions, then, in the event that the Clearing House maintains a holding of an Eligible Security Instrument at an ASP that is subject to a Corporate Action, the Clearing House shall use its reasonable endeavours to satisfy the excess Buyer Election Notices by electing an appropriate quantity of its Holding at the ASP.

If a Selling Member fails to deliver the relevant Eligible ~~Securities~~Instruments by the last time to deliver before the CCP Deadline and the Clearing House is unable to elect its holding at the ASP, then any loss incurred by the Clearing House will be allocated and charged to those Selling Members responsible for late delivery.

~~2D.15.6.5~~(e) Selling Member delivery

A Selling Member with Entitled Transactions (including holders of short ccCFD positions) who has received an Allocation Notice from the Clearing House is bound by that Allocation Notice. That Selling Member can only -deliver the original or the Interim Securities -prior to the last time to deliver before the CCP Deadline.

After the CCP Deadline, a Selling Member who has received an Allocation Notice must deliver the new transformed securities or the relevant outturn distribution. In the event that a Selling Member delivers the original or Interim Securities, and the Buying Member (or its agent) declines to accept delivery of such Securities then the Clearing House will return those same securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the new transformed securities or relevant outturn distribution in accordance with such directions as may be given by the Clearing House. Once the Corporate Action is finalised, if a further transformation or distribution is required the Clearing House procedures outlined at Section ~~2D.15.1.14~~.4 for Mandatory Events will be followed.

If, in relation to an Entitled Transaction, a Selling Member<sup>21</sup>'s delivery of the underlying securities: (a) may prevent the Clearing House from creating an Allocation Notice; (b) will require the Clearing House to elect its Holding at an ASP; or (c) occurs after the CCP Deadline, then the Clearing House reserves the right to block settlement, or refuse a full or partial delivery, or to return the securities received.

~~2D.15.6.6~~(f) Buyer Elections Process: CREST

~~CREST enables Buying Members to make direct elections in relation to certain Mandatory Events with Options and Voluntary Corporate Actions. Where CREST provides such an option, Buying Members must input elections directly through CREST using ACON instructions by the CCP Deadline set out in Appendix 2D.B. The Clearing House will not accept Buyer Election Notices in relation to such~~ Please refer to the EUI manual regarding the buyer election process in CREST.

~~Corporate Actions.~~

~~Clearing Members must familiarise themselves with the relevant CREST Procedures and in particular should note that Buying Members cannot instruct on unmatched transactions (or in respect of a matched gross settlement instruction that is eligible for settlement netting but has not yet been netted).~~



~~If a Buying Member does not provide instructions with regard to a Mandatory Event with Option or Voluntary Corporate Action through CREST, as set out above, then the Clearing House will be entitled to allow the Corporate Action to default to the “default option” input by CREST. Subject to Section 2D.1.8, the Clearing House has no liability of any kind to that Clearing Member or any third party in such respect thereto.~~

#### ~~Election deadlines~~

~~Where a Mandatory Event with Options occurs, an election will only be accepted by CREST (on behalf of the Clearing House) where:~~

~~6.1.1 — the trade date falls at least one business day prior to the CCP Deadline; or~~

~~6.1.2 — the instructions are received before the last time for instruction, which is 11:00 hours London time on the Business Day immediately before the last date for acceptance or call date.~~

~~Where a Voluntary Corporate Action occurs, a Buying Member election will only be accepted by CREST (on behalf of the Clearing House) where:~~

~~6.1.3 — the Intended Settlement Date falls on or before the CCP Deadline (see (ii) below); or~~

~~6.1.4 — the instructions are received before the CCP Deadline which is 11:00 hours London time on the Business Day immediately before the registrar’s deadline for call payments, registration or elections.~~

#### ~~Allocation to Selling Members via CCP Services in EU~~

~~When a Buying Member election is received by CREST, it is automatically allocated to a Selling Member’s Entitled Transaction. If a Buying Member’s instruction is received before the CCP Deadline, CREST (on behalf of the Clearing House) reserves the right to continue allocating those instructions to Selling Members after the CCP Deadline. Any Selling Member receiving an allocation in this period shall be bound to accept that election.~~

~~Selling Members should be aware that it is possible that CREST will perform an allocation against a Selling Member’s unmatched instruction. If this occurs, the Selling Member will only become aware of that allocation when the instruction is matched. Notwithstanding this, a Selling Member is bound by such allocation.~~

~~Clearing Members should note that a settlement may be split into several shapes as part of the allocation process and a Selling Member may receive one instruction and option for each split settlement.~~

~~Selling Members should treat allocations and instructions received from CREST as allocations and instructions provided by the Clearing House. If CREST has performed these functions, the Clearing House will not separately issue or take part in allocations and instructions.~~

~~Following an allocation made by the Clearing House in an elective Corporate Event, the Selling Member who is party to the relevant EquityClear Contract is bound by that allocation. That Selling Member should only deliver the Original Securities providing the delivery occurs prior to the last time for delivery. (The last~~



~~time for delivery, unless otherwise advised, is the close of settlement in the settlement system of EUI, one Business Day prior to the registrars deadline for call payments, registration or elections.)~~

~~Thereafter that Selling Member must deliver the New Securities. In the event that a Selling Member does deliver the Original Securities, and the Buying Member (or its agent) declines to accept delivery of such Original Securities, then the Clearing House will return the Original Securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the New Securities in accordance with such directions as may be given by the Clearing House.~~

~~If a Selling Member fails to perform in accordance with an instruction provided by CREST, that Clearing Member will be responsible for reimbursing the Clearing House for any costs, expenses and other losses suffered by the Clearing House in connection with that failure or omission.~~

#### ~~Allocation to Selling Members via Standard Participant Services in EUI~~

~~When a Buying Member election is received by CREST, it is allocated to a Selling Member's Entitled Transaction by the Clearing House. If a Buying Member's instruction is received before the CCP Deadline, the Clearing House reserves the right to continue allocating those instructions to Selling Members after the CCP Deadline. Any Selling Member receiving an allocation in this period shall be bound to accept that election.~~

~~Selling Members should be aware that it is possible that the Clearing House will perform an allocation against a Selling Member's unmatched instruction. If this occurs, the Selling Member will only become aware of that allocation when the instruction is matched. Notwithstanding this, a Selling Member is bound by such allocation.~~

~~Clearing Members should note that a settlement may be split into several shapes as part of the allocation process and a Selling Member may receive one instruction and option for each split settlement.~~

~~Once the CCP deadline is passed Selling Members have to reduce the priority of their Allocated Transaction to zero to prevent the possibility of the trade settling before the Transformation takes place within CREST.~~

~~If a Selling Member fails to perform in accordance with an instruction provided by the Clearing House, that Clearing Member will be responsible for reimbursing the Clearing House for any costs, expenses and other losses suffered by the Clearing House in connection with that failure or omission.~~

~~After the CCP Deadline, a Selling Member who has received an Allocation Notice must deliver the new transformed securities or the relevant outturn distribution. In the event that a Selling Member delivers the original or Interim Securities, and the Buying Member (or its agent) declines to accept delivery of such Securities then the Clearing House will return those same securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the new transformed securities or relevant outturn distribution in accordance with such directions as may be given by the Clearing House~~

#### 2D.15.6.7(g) Buyer Elections Process: SIX SIS

~~If an Entitled Transaction that is subject to a Mandatory Event with Options or a Voluntary Corporate Action is held in SIS, then Buying Members' elections must be made through the MPA (Main Paying Agent) or SIS only in accordance with SIS procedures. The elections must be notified to the MPA or SIS before the election deadline or Deposit Deadline.~~

~~Buying Members are usually permitted to make elections for Scrip Dividends and Currency Elections with the MPA or directly with SIS. Clearing Members are referred to the relevant requirements and procedures of SIS in this regard. The Clearing House will not process such elections or participate in such event in any way.~~

[Please refer to SIX SIS regarding its buyer election process](#)

~~2D.15.6.8~~(h) Elective Corporate Events: Exceptional Turquoise Norwegian Contracts

The Clearing House will not accept any instructions from Buying Members in relation to any elective corporate event for EquityClear eContracts originating from Exceptional Turquoise Norwegian Equity Derivatives. The Clearing House will allow the Corporate Event to default to the default option as directed by the Norwegian ASP (VPS).

~~2D.15.6.9~~(i) Failure of Selling Member to deliver

If a Selling Member fails to deliver the relevant securities to the Clearing House by the Deposit Deadline, the Clearing House may be unable to make a corresponding delivery on to the Buying Member. As a result, the Buying Member may not be able to deliver the underlying stock to the MPA or SIS in order to participate in the Corporate Action. In such circumstances, the Clearing House will allow the Buying Member to submit a Buyer Election Notice or cash claim directly to the Clearing House provided such details are received by the Clearing House no later than two hours after the Deposit Deadline for SIS. Such notification must be made by email to [equityclearbusinessops@lchclearnet.com](mailto:equityclearbusinessops@lchclearnet.com) [the address notified on the website](#). No other method of notification is permitted. If the Buying Member does not submit a Buyer Election Notice by the required time, then the Buying Member will lose any election rights.

The Clearing House will validate Buyer Election Notices that it receives and will allocate valid elections to appropriate Selling Members via Allocation Notices. The allocation process will be completed by the close of business (5 p.m. London time) on the CCP Deadline (as applicable) + 1 (the "**Allocation Deadline**") or as soon as practicable thereafter.

Following allocation, the Clearing House will create settlement instructions in SIS for the relevant entitlement on a T+3 basis. Such settlement instructions will usually be entered by the Clearing House by 17:30 hours London time on the day which is two business days after the

~~Delivery Deadline~~delivery deadline but this process may take longer where there are a large number of instructions to be created.

#### ~~2D.15.6.10(j)~~1.14.7 Failure to make or accept delivery

Where a Selling Member has been issued with an Allocation Notice and fails or omits to deliver stock to the Clearing House by one hour prior to the ~~Delivery Deadline~~delivery deadline, this will be deemed to be a settlement failure. The Clearing House may charge that Selling Member ~~an~~an administration fee, which sum may be collected by the Clearing House through the relevant PPS account.

If a settlement failure arises due to the failure or omission of the Buying Member to take delivery of the relevant stock from the Clearing House, that Buying Member will lose its election rights.

#### ~~2D.15.7.1.14.7~~1.14.7 Fractional Entitlements

The Issuer of an Eligible ~~Security Instrument~~Security Instrument determines whether an amount known as a "Fractional Entitlement" is payable to a Buying Member as a result of a Corporate Action. If the Clearing House has Open Transactions that are subject to a Fractional Entitlement then, depending on local market practice, that Fractional Entitlement will be managed by the Clearing House, the relevant ASP or the Clearing House's Settlement Agent.

In markets in which Fractional Entitlements are managed by the relevant ASP or the Clearing House's Settlement Agent, the ASP or the Clearing House's Settlement Agent will distribute the entitlement, or set up claims representing the entitlement to reflect the cash due under the terms of the event. The ASP or the Clearing House's Settlement Agent will credit and debit the affected accounts maintained by the Clearing House's Settlement Agent and Members' Settlement Agents, either on the Effective ~~d~~Date or on receipt/payment dates of the claims. The Clearing House reserves the right to debit or credit a Clearing Member's PPS account if a claim remains outstanding for 30 days or more.

Where the Fractional Entitlement is not dealt with by the ASP or the Clearing House's Settlement Agent the Clearing House will accept a claim from a Buying Member, and pass on the claim to the relevant Selling Member. It is a Buying Member's responsibility to submit such claims and the Clearing House will not actively invite claims from Buying Members.

If a Buying Member issues a claim for a ~~'Fractional Entitlement'~~'Fractional Entitlement' more than one month after the Issuer determines that such entitlements are payable, such claim will be treated as invalid by the Clearing House. In relation to such claims, the Clearing House will be under no obligation whatsoever and, subject to Section ~~2D.1.1.8.2(b)~~2D.1.1.8.2(b), shall have no liability to the Buying Member with regard to such claim.

#### ~~2D.15.8.1.14.8~~1.14.8 UK Residual Transactions

~~2D.15.8.1(a)~~1.14.8(a) A "Residual Transaction" is a stock or cash transaction

~~1.1.1~~ (i) created as a result of a Corporate Action affecting an EquityClear Eligible ~~Security~~ Instrument that is settled in CREST as ASP; and

~~1.1.2~~ (ii) that cannot be settled in CREST.

If the Clearing House is aware that a Corporate Action affecting an EquityClear Contract will give rise to a Residual Transaction (a “Residual Corporate Action”), the Clearing House will calculate each Clearing Member’s net settlement position for those Residual Transactions.

A Clearing Member’s “net settlement position” in Residual Transactions is calculated by taking the total amount of any stock or cash (as the case may be) due to that Clearing Member, then deducting the total amount of any cash or stock due from that Clearing Member. This will provide a net amount of stock or cash due to the Clearing House from that Clearing Member, or due to that Clearing Member from the Clearing House. The calculations may include Residual Transactions with different Intended Settlement Dates and the Clearing House shall in its discretion determine the Settlement Date for settlement of the net settlement position.

Clearing Members should note that the “net settlement position” referred to in this Section ~~2D.15.8.1.14.8~~ should not be confused with net settlement of EquityClear Contracts arising from participation in net settlement arrangements as described in Section ~~2D.9.1.10.6(b)~~ above. Netting of Residual Transactions will take place irrespective of whether a Clearing Member has notified the Clearing House of its intention to participate in the net settlement arrangements described in Section ~~2D.9.1.10.6(b)~~ above.

#### ~~2D.15.8.2~~ (b) Delivery directions

A Clearing Member holding Residual Transactions will be advised by the Clearing House of the details of its net settlement position. The Clearing House will, in its sole discretion, determine the size and “shape” of batches of stock to be delivered by or to any Clearing Member and, in the event that a Clearing Member is required to deliver any stock to the Clearing House, the Clearing House will provide details of the batches in which the Clearing Member is required to deliver such stock. Such advice will generally be provided to a Clearing Member on:

~~2.1.1~~ (i) Ex-Date for Residual Corporate Actions where the Record Date occurs before the Ex Date;

~~2.1.2~~ (ii) Record Date plus one ~~Business Day~~ business day where Ex Date occurs before Record Date.

In the event that details of the net settlement positions are not available on either of these dates, the Clearing House will provide such advice as soon as reasonably practicable after such details become available.

Clearing Members are required to comply with delivery directions given by the Clearing House.

~~2D.15.8.3~~(c) Method of delivery

If a Clearing Member has been directed to make delivery in respect of a net settlement position, that Clearing Member must physically deliver the relevant documentation to the Clearing House. The delivery must:

~~3.1.1~~(i) be made on a ~~Business Day~~; business day;

~~3.1.2~~(ii) delivered to the Messenger's offices of the Clearing House on the Ground floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA (unless another address is advised by the Clearing House); and

~~3.1.3~~(iii) be marked for the attention of "LCH.Clearnet Operations: Residual Corporate Events – Stock Delivery".

Delivery of any UK stock resulting from a Corporate Action must be made to the Clearing House in no more than two deliveries per "shape" notified by the Clearing House. If payment is required against delivery then the cash amount should be pro-rated (and input into CREST accordingly). Notwithstanding the foregoing the Clearing House reserves the right to refuse any partial delivery (including partial delivery of a "shape").

~~2D.15.8.4~~(d) Collection of Stock

The Clearing House requires Clearing Members to collect stock from its offices. The Clearing House will advise a Member due to receive stock pursuant to a Residual Corporate Event that its stock is available for collection and provide it with a reference number to be quoted upon collection.

If a Clearing Member due to receive stock fails to collect the relevant documents from the Clearing House, then the Clearing House will not accept any liability for any losses incurred as a result of such inaction.

A receiving Clearing Member is not permitted to refuse to accept a partial delivery of stock from the Clearing House.

~~2D.15.8.5~~(e) Residual Corporate Action elections

In the event that a Clearing Member may make an election in relation to a Residual Corporate Action, Clearing Members must comply with the following timetable in order to participate.

Call Payments – Instructions

The last date and time for receipt by the Clearing House of an instruction from a Buying Member is 11:00 hours London Time one Business Day

prior to the call or payment date. In the event that the Clearing House receives an instruction from a Buying Member by such time but does not, for whatsoever reason, pass the instruction to the Selling Member by 11:00 hours London Time one Business Day prior to the call or payment date, the Clearing House may pass on such instruction as soon as reasonably practicable thereafter.

In the event that a Buying Member instructs the Clearing House to allow the option to lapse and, as a result of carrying out that instruction, a payment becomes due to that Clearing Member from the Clearing House, then the Clearing House will raise cash only transactions against both Buying Members and Selling Members when it is able to determine the amount of such payment. In the event that either Clearing Member fails or omits to match the Clearing House's cash only transaction within 24 hours of the Clearing House's input of such cash only transaction, the Clearing House will debit or credit that Buying Member or Selling Member, as the case may be, via their relevant PPS account.

#### Call Payments – Deliveries

The last date and time for delivery by the Selling Member to the Clearing House of any stock or cash in relation to a Residual Transaction is 10:00 hours London time one Business Day prior to the call or payment date. In the event that the Clearing House takes delivery of any such cash or stock from a Selling Member prior to such time but the Clearing House does not, for whatsoever reason, deliver to the Buying Member by such time, the Clearing House may deliver such cash or stock to the Buying Member as soon as reasonably practicable thereafter.

Where the Selling Member has failed to deliver by the deadline set out above, and the Buying Member has failed to send a Buyer Election Notice to the Clearing House by the deadline set out above, the Clearing House will allow the default option in the Residual Corporate Action to occur. In the event that the default option involves the payment of cash then the Clearing House will input into CREST against the Clearing Members an appropriate instruction to give effect to this, or will call or pay (as the case may be) the relevant cash amounts via the relevant PPS accounts.

#### Lapsed Rights Proceeds

Where a Buying Member issues a claim for lapsed proceeds more than one month after the appropriate deadline nominated by the issuer for acceptance of an offer in respect thereof, such claim shall be treated as invalid by the Clearing House, and the Clearing House shall be under no obligation whatsoever (and, subject to Section ~~2D.1.8.2~~, [1.1.8\(b\)](#), shall have no liability in respect thereto) to make any payment to the Buying Member with regard to the lapsed rights premium associated therewith.

Last Time for Delivery of ~~Nil Paid Rights~~[nil paid rights](#)

In the case of CREST, Selling Members are not permitted to deliver ~~Nil Paid Rights~~[nil paid rights](#) after the last time for delivery (the last time for delivery, unless otherwise advised, is the close of settlement in the CREST, one Business Day prior to the registrar's deadline for call payments, registration or elections).

In the event that ~~Nil Paid Rights~~[nil paid rights](#) are delivered by a Selling Member after the last time for delivery, the Clearing House will attempt to deliver the securities back to the Selling Member, who will remain liable for delivering the chosen option as required by the Buying Member.

#### Registration of Documents

Where the Clearing House has made delivery of application forms/allotment letters to a Buying Member by the last date and time for delivery and such Buying Member fails or omits to register/complete such forms in respect of lapsed rights proceeds, then the Clearing House may in its absolute discretion, charge an administration fee of a minimum of £50 plus VAT to the Buying Member in the event that the Clearing House has to pass on such proceeds.



## **APPENDIX 2D.A**

### 1.15 EquityClear Client Clearing

#### 1.15.1 EquityClear Client Clearing – Ancillary Documentation

##### (a) Security Deed

Unless specified otherwise by the Clearing House, an EquityClear 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 EquityClear Clearing Member is required to ensure that it includes certain language in its agreement with its EquityClear Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

EquityClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

([●]<sup>1</sup>)

#### 1.15.2 Backup Clearing Members

An EquityClear Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the EquityClear Contracts entered into by a EquityClear Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a EquityClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a EquityClear Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by an EquityClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that EquityClear Contracts will always be transferred to that Backup Clearing Member. Porting of EquityClear Contracts, following a EquityClear Clearing Member's Default is always

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<sup>1</sup> LCH to insert website address in due course



subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.16 Indirect Clearing

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

- (a) in circumstances where (i) the EquityClear 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 EquityClear 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 EquityClear 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**"); or
- (b) transfer the relevant Related EquityClear Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant EquityClear Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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 EquityClear 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 EquityClear Contracts to the EquityClear Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.16.2 Each of the steps referred to in paragraphs 1.16.1(a) and (b) 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 EquityClear Clearing Member to the relevant EquityClear Clearing Client or from the relevant EquityClear Clearing Client to the relevant EquityClear 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 EquityClear Clearing Member on the relevant EquityClear Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that EquityClear Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related EquityClear 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 EquityClear Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant EquityClear Clearing Client, the Clearing House will usually arrange a transfer of Related EquityClear Contracts in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.16 a "**Related EquityClear Contract**" means in respect of a transaction between an EquityClear Clearing Member and an EquityClear Clearing Client which has been terminated on an early termination date, the open position represented by the EquityClear Contract entered into with the Clearing House by such EquityClear Clearing Member on behalf of the relevant EquityClear Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.16, the EquityClear Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

## SCHEDULE 1 **DEFINITIONS**

**"Acceptance End Date:** ~~The~~ means the final date by which election instructions may be submitted to participate in a Voluntary Corporate Action, as dictated by the Issuer.

**"Acceptance Start Date:** ~~Start~~ means start of the period during which election instructions may be submitted to participate in a Voluntary Corporate Action, as dictated by the Issuer.

**"Allocation Methodology"** means the methodology by which the Clearing House will allocate transactions to selling members.

**"Buying Member:"** Mmeans a Clearing Member which is party to an EquityClear Contract as buyer.

**"Cash Equivalent Dividend Payment:** ~~Cash~~ means cash equivalent paid on an equity ccCFD based on the dividend paid by the Issuer on the underlying Instrument.

**"ccCFD:** ~~An~~ means an EquityClear (ccCFD) Contract.

**"CCP Deadline:** ~~The~~ means the last time the Clearing House will accept a Buyer Election Notice from an entitled Buying Member, as set out in ~~Appendix 2D.B~~ Schedule 2.

**"CCP Services in EUI:** ~~The~~ means the CREST central counterparty service comprises arrangements with the CCP involving services which, in combination, facilitate or otherwise relate to the performance by the CCP concerned of certain central counterparty functions. These arrangements involve the provision of services and facilities to ~~'CCP'~~ participants and CREST central sponsors.

**"Corporate Action:** ~~An~~ means an event initiated by a public company that affects the securities (equity or debt) issued by the company. Some corporate actions such as a dividend (for equity securities) or coupon payment (for debt securities (bonds)) may have a direct financial impact on the shareholders or bondholders; another example is a call (early redemption) of a debt security. Other corporate actions such as stock split may have an indirect impact, as the increased liquidity of shares may cause the price of the stock to rise. Some corporate actions such as name change have no direct financial impact on the shareholders.

**"Deposit Deadline:** ~~Date~~ means date by which a Selling Member must deliver securities to the Clearing House to enable the Clearing House to participate in a Corporate Action, or to enable the Clearing House deliver onto a Buying Member so the Buying Member can participate in the Corporate Action.

**"Depository Receipts:** ~~The LSE's~~ means the LSE's International Order Book trading service and Depository Receipts traded on other ATP's.

**"Distribution:** ~~An~~ means an outturn due on a Corporate Action based on the terms of the event and usually paid in cash or stock.

**"Effective date:** ~~The~~ Date means the date on which shares can start trading. This usually refers to the date when new shares are issued.

**"Eligible Instrument:-An"** means an EquityClear Eligibility ~~Instrument~~, Equity and/or an EquityClear Eligible ccCFD (as the case may be), in each case as defined in the Rulebook.

**"Entitled Member:-A"** means a Buying Member with an Entitled Transaction that is subject to a Mandatory Event, a Mandatory Event with Options or Voluntary Corporate Action.

**"Entitled Transactions/Positions:-These"** means these are Open Transactions/Positions that will be affected by a Corporate Action as per the terms of that Corporate Action.

**"Exceptional Turquoise Norwegian Contracts:-"** means EquityClear Contracts originating from Turquoise derivatives deliveries.

**"Ex-Date:-The"** means the day the underlying security begins trading without the current announced distribution entitlement accruing to the buyer.

**"Failed Transactions:-Transactions"** means transactions, entered into under the terms of an EquityClear Contract, which have reached ISD but have not yet settled at the ASP.

**"Fractional Entitlement:-An"** means an amount of securities or cash remaining following the calculation of whole entitlement based on the terms of a Corporate Action.

**"Interim Security:-A"** means a security issued to represent the options of an elective event.

**"Issuing company or Issuer:-S"** shall mean the company issuing the relevant stock.

**"Mandatory Events:-Events"** means events that are initiated by an issuer of securities that affects all shareholders. Participation of shareholders is mandatory though there may be an option to determine the outturn received.

**"Mandatory Events"** are split into:

(a) **Mandatory Transformations-** — such as stock splits, where the underlying transaction will be transformed into new constituents, depending on the terms of the event.

(b) **Mandatory Distributions-** — such as cash or stock dividends, where the beneficial owner will receive a separate credit of the entitlement.

(c) **Mandatory with Options-** — such as optional dividends, where a choice can be made to decide which of the potential outturns is received.

**"Market Deadline:-The"** means the time on the Acceptance End Date the relevant ASP or Issuer or Issuer's agent stops accepting elections.- Elections made after the Market Deadline are not accepted and default action, if any, will be applied.

**"Open Transactions:-Transactions"** means transactions, entered into under the terms of an EquityClear Contract, that are either Pending Transactions or Failed Transactions.

**"Pay Date:-Date"** means date on which entitlements are distributed.

**"Pending Transactions:-Transactions"** means transactions, entered into under the terms of an EquityClear Contract, that have not yet reached the ISD.

**"Record Date:** ~~The~~ means the day the issuer/registrar captures position for determining holders entitled to receive a distribution.

**"Selling Member:** ~~A~~ means a Clearing Member that is party to an EquityClear Contract as seller.

**"Settlement Agent:** ~~An~~ means an agent or custodian appointed by either the Clearing House or a Member to settle its security activity at an ASP.

**"Service Description:"** means the EquityClear Service Description which is available on the Clearing House website.

**"Trade Date:** ~~The~~ means the date on which a trade between 2 counterparties in a security is transacted.

**"Transformation:** ~~The~~ means the change of a security into another security or cash following a Corporate Action.

**"Voluntary Corporate Action:** ~~A~~ means a Corporate Action in which the share holders must elect to participate. A response is required by the issuer to process the action.

**"VPS:"** means Norwegian ASP Verdipapirsentralen's System

*Other terms used in this Section 2D2E shall have the same meaning as set out in the Rulebook.*

**APPENDIX 2D.B**

**SCHEDULE 2**  
**MARKET DEADLINES**

<b>Election Market Deadlines</b>		
	Corporate Action	
	<b>Mandatory with options/Voluntary</b>	
ATP/ASP	CCP Deadline*	Allocation Deadline**
Depository Receipts	6.00pm Euroclear Deadline - 2 business days	1:00pm Euroclear Deadline - 1 business day.
SIS	Deposit Deadline + 2 hours	5.00pm Deposit Deadline +1 business day
EUI <a href="#">(elections only accepted via the ACON process)</a>	11.00am Market deadline -1 business day	1:00pm Market deadline - 1 business day
<del>EUI-Residual</del>	<del>11.00am Market deadline -1 business day</del>	<del>11.00pm Market deadline - 1 business day</del>
<del>Asia (Australia, Hong Kong and Japan)</del>	<del>5.00pm (Local time) Expiration/Deposit Deadline</del>	<del>5.00pm (Local time) Expiration/Deposit Deadline +1 business day.</del>
All other ATP/ASP	5.00pm Expiration/Deposit Deadline	5.00pm Expiration/Deposit Deadline +1 business day
UK ccCFDs		11.00am Market Deadline + 1 business day

All times are London time ~~with the exception of Asian markets~~

- \* ~~CCP~~ CCP The Clearing House determined deadline representing the last time a Buyer Election notice will be accepted from an entitled Buying Member
- \* ~~Allocation~~ Allocation The Clearing House determined deadline representing by when allocation of liability to ~~-~~Selling Members using the Allocation Algorithm will be completed.



**APPENDIX 2D.C**

**SCHEDULE 3**  
**NOTICE OF BUY-IN**



**EquityClearService**



EquityClear Service

Request for Initiation of Buying In Process

We hereby request LCH.Clearnet to initiate the buying in process on the following unsettled transactions

**Company name:**

**Address of Head Office:**   
*(or business address)*

Company name:

Address of Head Office:   
(or business address)

Please specify the relevant ASP

<b>ASP</b>	<input type="text"/>
------------	----------------------

Please specify your Settlement Account Name and ID

	<b>Account Name</b>					
	<b>Account ID</b>					

Please provide the following details for each transaction:

<b>Exchange/ ATP</b>	<b>Trade Date</b>	<b>Stock Name</b>	<b>ISIN</b>	<b>Quantity</b>	<b>Consideration</b>	<b>ATP Trade Reference Number</b>	<b>ASP Reference Number</b>
----------------------	-------------------	-------------------	-------------	-----------------	----------------------	-----------------------------------	-----------------------------

Exchange/ ATP	Trade Date	Stock Name	ISIN	Quantity	Consideration	ATP Trade Reference Number	ASP Reference Number

It is important to note that the earliest that buying in can be instigated is 09:00 UK time on ISD+5. Buying in requests must be received by LCH.Clearnet before 12:00 UK time to be treated as having been received that day. Any requests received after 12:00 UK time will be treated as having been received the following day. It is the members' responsibility to ensure a Buy-In request is received by the Clearing House.

**Contact Details**

<b>Name</b>	<b>Position</b>	<b>Phone Number</b>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Authorised Signatory**

<input type="text"/>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Name</b>	<b>Title</b>	<b>Date</b>
<input type="text"/>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Name</b>	<b>Title</b>	<b>Date</b>

FOA – LCH.Clearnet Business Operations Department

Telephone Number: +44 (0)20 7426 7601

E-mail

[EquityClearBusinessOps@lchclearnet.com](mailto:EquityClearBusinessOps@lchclearnet.com)

**APPENDIX 2D.D**

**SCHEDULE 4**  
**LIST OF APPROVED TRADING PLATFORMS (ATP<sup>2</sup>S)**

**Name of Approved Trading Platform**

London Stock Exchange plc

- SETS

- International Order Book

- International Board

SIX Swiss Exchange

Equiduct Trading

BATS CHI-X Europe Limited

- BATS

- CHI-X

Turquoise

LMAX Ltd

GETCO Execution Services Limited

**SCHEDULE 5**  
**LIST OF APPROVED SETTLEMENT PLATFORMS (ASP)**

[Austria OeKo](#)

[CDP](#)

[Clearstream Frankfurt](#)

[Denmark VPDK](#)

[EUI/CREST UK & Ireland](#)

[Euroclear Bank](#)

[Euroclear Belgium](#)

[Euroclear France](#)

[Euroclear Netherlands](#)

[Finland APKE](#)

[Interbolsa Portugal](#)

[Monte Titoli Italy](#)

[Norway VPSN](#)

[SIX SIS Swiss](#)

[Sweden VPCS](#)

**Clearing House Standard Settlement Instructions**

					Account Name
<u>MARK</u> <u>ET</u>	<u>Settlement Agent</u>	<u>C</u>	<u>2</u>	<u>2</u>	<u>I</u>
<u>Austra</u> <u>lia</u>	<u>Citibank N.A. Sydney</u>	<u>I</u>	<u>0</u>	<u>0</u>	<u>0</u>
		<u>I</u>	<u>0</u>	<u>6</u>	<u>0</u>
		<u>I</u>	<u>1</u>	<u>6</u>	<u>0</u>
		<u>A</u>	<u>8</u>	<u>5</u>	<u>0</u>
		<u>U</u>	<u>6</u>	<u>0</u>	<u>0</u>
		<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>
		<u>X</u>	<u>0</u>	<u>0</u>	<u>0</u>

<p><u>MARK</u> <u>ET</u></p>	<p><u>Settlement Agent</u></p>		<p><u>Account</u> Name Reference City Address Agent Number Information</p>
			<p>Order Reference Number</p>



					Account Name	Reference
<u>MARK</u> <u>ET</u>	<u>Settlement Agent</u>				Account Name	Reference

<u>MARK</u> <u>ET</u>	<u>Settlement Agent</u>				<u>A</u> <u>C</u> <u>C</u> <u>O</u> <u>U</u> <u>N</u> <u>T</u>  <u>N</u> <u>A</u> <u>N</u> <u>E</u>  <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u>  <u>S</u> <u>E</u> <u>P</u> <u>R</u> <u>E</u> <u>P</u> <u>R</u> <u>E</u> <u>P</u> <u>R</u> <u>E</u> <u>E</u> <u>⊕</u> <u>⊕</u> <u>⊕</u>  <u>C</u> <u>S</u> <u>I</u> <u>D</u> <u>S</u>  <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u>  <u>A</u> <u>C</u> <u>C</u> <u>O</u> <u>U</u> <u>N</u> <u>T</u>  <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u> <u>⊕</u>  <u>A</u> <u>g</u> <u>e</u> <u>n</u> <u>t</u>  <u>B</u> <u>b</u> <u>l</u> <u>e</u> <u>e</u> <u>r</u> <u>C</u> <u>r</u>
					<u>H</u> <u>⊕</u> <u>C</u> <u>L</u> <u>E</u> <u>A</u> <u>R</u> <u>N</u> <u>E</u>



<p><u>MARK</u> <u>ET</u></p>	<p><u>Settlement Agent</u></p>				<p><u>A</u> <u>c</u> <u>c</u> <u>o</u> <u>u</u> <u>n</u> <u>t</u>  N a m e  €  S e t t l e m e n t  C i t y  T r a d i n g  P l a t f o r m  D</p>
<p>SIX Swiss Exchange</p>					
<p>International Order Book</p>					
<p>PLUS Markets Group plc</p>					

<u>MARK ET</u>	<u>Settlement Agent</u>	<u>A c c o u n t  N a m e  S e t t l e m e n t  C i t y  A d d r e s s  P l a c e  N a t i o n  B b e r C r e d i t i a l N u m b e r</u>
	Equiduct Trading	
	NYSE Arca Europe	
	BATS Trading Limited	

		<a href="#">Account Name</a> <a href="#">Reference</a> <a href="#">Settlement Date</a> <a href="#">Clearing Account</a> <a href="#">Agent</a> <a href="#">Name</a> <a href="#">Reference</a> <a href="#">Clearing</a>
<a href="#">MARK ET</a>	<a href="#">Settlement Agent</a>	
	<del>Turquoise Global Holdings Limited</del>	
	<del>Chi X Europe Limited</del>	
	<del>LMAX Ltd</del>	

<p><u>MARK</u> <u>ET</u></p>	<p><u>Settlement Agent</u></p>	<p><u>A</u> <u>C</u> <u>C</u> <u>O</u> <u>U</u> <u>N</u> <u>T</u>  N a n e  ⊕ ⊕  S e t t l e m e n t  C i n c o r p o r a t e d  T r a d i n g  A c c o u n t  A g e n t  N a t i o n a l  I d e n t i f i c a t i o n  C r e d i t</p>
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GETCO Europe Limited

**APPENDIX 2D.E****List of Approved Settlement Platforms (ASPs)**

<b>Approved Trading Platform</b>	<b>Approved EquityClear Settlement Provider</b>	<b>LCH.Clearnet Account</b>	<b>POA in force</b>
London Stock Exchange	CREST (Direct) Euroclear (Direct)	LCH01 27851	No No
SIX Swiss Exchange	SIX SIS (Direct)	BP ID GB 101'215	Yes
International Order Book	Euroclear	99750	Yes
Equiduct Trading Limited	CREST Pan European (via agent)	LCH03 Various (see securities account listed below)	No
BATS Trading Limited	Swiss SIX SIS UK and Pan European (via agent)	BP ID GB 101'215 Various (see securities accounts listed below)	Yes No
NYSE Arca	CREST Swiss SIX SIS UK and Pan European (via agent)	BP ID GB 101'215 Various (see securities accounts listed below)	Yes No
Turquoise Global Holdings Limited	Swiss SIX SIS Euroclear UK and Pan European (via agent)	BP ID GB 101'215 99750 Various (see securities accounts listed below)	Yes Yes No
Chi X Europe Limited	CREST Swiss SIX SIS UK and Pan European (via agent)	BP ID GB 101'215 Various (see securities accounts listed below)	Yes No
GETCO	CREST Swiss SIX SIS UK and Pan European (via agent)	BP ID GB 101'215 Various (see securities accounts listed below)	Yes No



## LCH securities accounts with Citi

MARKET	Settlement Agent	Agent BIC	CSD Account Number	Safekeeping Account Number	Account Name
<b>Australia</b>	Citibank N.A. Sydney	<b>CITIAU3X</b>	20018	2066560000	LCH.CLEARNET LIMITED
<b>*Austria</b>	Citibank, N.A., Milan Branch	<b>CITIATWX</b>	C16 or 275500	7906179	LCH.CLEARNET LIMITED
<b>Belgium</b>	Citibank International plc, London branch	<b>CITTGB2L</b>	4048	0006016469	LCH.CLEARNET LIMITED
<b>Denmark</b>	Nordea Denmark	<b>NDEADKKK</b>	020001007513239	6022300672	LCH.CLEARNET LIMITED
<b>Finland</b>	Nordea Bank Finland	<b>NDEAFIHH</b>	02 2000 10775666 4	6012300672	LCH.CLEARNET LIMITED
<b>France</b>	Citibank International plc, London branch	<b>CITTGB2L</b>	4048	0656737018	LCH.CLEARNET LIMITED
<b>Germany</b>	Citigroup Global Markets Deutschland AG & Co. KGaA	<b>CITIDEFF</b>	7256	21550900	LCH.CLEARNET LIMITED
<b>Italy</b>	Citibank, N.A., Milan Branch	<b>CITIITMX</b>	81660	1239659	LCH CLEARNET LIMITED
<b>Japan</b>	Citibank Japan Limited	<b>CITIJPJT</b>	0040181	160817	LCH CLEARNET LIMITED
<b>Netherlands</b>	Citibank International plc, The Netherlands Branch	<b>CITTGB2L</b>	4048	0000712450	LCH CLEARNET LIMITED
<b>Norway</b>	Den Norske Bank, Oslo	<b>DNBANOKK</b>	050050152300	6032300672	LCH CLEARNET LIMITED

<b>MARKET</b>	<b>Settlement Agent</b>	<b>Agent BIC</b>	<b>CSD Account Number</b>	<b>Safekeeping Account Number</b>	<b>Account Name</b>
<b>Norway– Exceptional Turquoise Norwegian Contracts</b>	Den Norske Bank, Oslo	<b>DNBANOKK</b>	050050157986	6012978199	LCH CLEARNET LIMITED
<b>Portugal</b>	Citibank International Plc, Lisbon	<b>CITIPTPX</b>	528	7001510180	LCH CLEARNET LIMITED
<b>Sweden</b>	Citibank International Plc, Sweden Branch	<b>CITISESX</b>	CIT	1011870	LCH CLEARNET LIMITED
<b>Czech Republic</b>	Citibank Europe plc, Organizacni Slozka	<b>CITICZPX</b>	8880180771	808001344134	LCH CLEARNET LIMITED
<b>Hungary</b>	Citibank Europe plc, Hungarian Branch	<b>CITIHUHX</b>	0410	7202416001	LCH CLEARNET LIMITED
<b>UK and Ireland</b>	Citibank, N.A, London Branch	<b>CITIGB2L</b>	ARMAY	N/A	LCH CLEARNET LIMITED
<b>Singapore</b>	Citibank International Plc, Sweden Branch	<b>CITISGSG</b>	8566950001	0-856695-018	LCH CLEARNET LIMITED

**\*Please note for Austria instructions for Securities Transactions should be sent to CITIATWX. Trade updates and settlement/cancellation confirmations will be sent from CITITMX**

## LCH Cash Correspondents

MARKET	CASH ACCOUNT NUMBER	CCY	SAFEKEEPING ACCOUNT NAME	CASH CORRESPONDENT	CASH CORRESPONDENT SWIFT-BIC	IBAN NUMBER
Denmark	11767615	DKK	LCH CLEARNET LIMITED	Nordea Bank Denmark	NDEADKKK	GB84CITI18500811767615
Euro	0012306999	EUR	LCH CLEARNET LIMITED	Citibank International plc, London Branch	CITIGB2L	GB05CITI18500812306999
Norway	12300680	NOK	LCH CLEARNET LIMITED	Den Norske Bank, Oslo	DNBANOKK	GB92CITI18500812300680
Norway – Exceptional Turquoise Norwegian Contracts	12978199	NOK	LCH CLEARNET LIMITED	Den Norske Bank, Oslo	DNBANKOKK	GB18CITI18500812978199
Sweden	9040111875	SEK	LCH CLEARNET LIMITED	Citibank, N.A., London Branch	CITISESX	SE16 9040 0000 0904 0111 1875
Switzerland	40328521CHF	CHF	LCH CLEARNET LIMITED	Swiss National Bank	SNBZCHZZ	CH6308880040328521CHF
UK & Ireland	12202247	GBP	LCH CLEARNET LIMITED	Citibank, N.A., London Branch	CITIGB2L	GB80CITI18500812202247
UK & Ireland	12202239	EUR	LCH CLEARNET LIMITED	Citibank, N.A., London Branch	CITIGB2L	GB05CITI18500812202239
UK & Ireland	12202255	USD	LCH CLEARNET LIMITED	Citi N.A. New York	CITIUS33	GB05CITI18500812202255
Czech Republic	2058350109	CZK	LCH CLEARNET LIMITED	Citibank Europe plc, Organizacni Slozka	CITICZPX	CZ842600000002058350109
Hungary	202416004	HUF	LCH CLEARNET LIMITED	Citibank Europe plc, Hungarian Branch	CITIHUHX	HU79108000077000000202416004
Australia	0206656018	AUD	LCH CLEARNET LIMITED	Citibank NA Sydney	CITIAU2X	N/A
Hong Kong	61683825	HKD	LCH CLEARNET LIMITED	Citibank NA Hong Kong	CITIHKHX	TBC
Hong Kong	61683833	USD	LCH CLEARNET LIMITED	Citibank NA Hong Kong	CITIHKHX	TBC
Japan	0160817402	JPY	LCH CLEARNET LIMITED	Citibank Japan Ltd	CITIJPJT	N/A

**~~APPENDIX 2D.F~~**

**SCHEDULE 6**  
**BUYER ELECTION NOTICE**



**EquityClear Service**

Request for Initiation of a Corporate Action Buyer Election

**Company name:**

**Address of Head Office:**   
**(or business address)**

Company name:

Address of Head Office:   
(or business address)

We hereby request LCH.Clearnet to initiate Buyer Protection on the following Voluntary Corporate Action

**Corporate Action**

Company/Issuer:

Terms/Options:

Ex date

Election Date:

Pay Date:

**Corporate Action**

**Company/Issuer:**

~~Terms/Options:~~

~~Ex-date~~

~~Election Date:~~

~~Pay Date:~~

The Open transactions are across the following ASP

<b>ASP</b>	
------------	--

Our Settlement Account Name and ID are as follows

<b>Account Name</b>	
<b>Account ID</b>	

We wish to you to Elect as per our instruction on the following transactions:

Trade Date	Quantity	Consideration	ATP Trade Ref Number	ASP Ref Number	Election	Outturn Expected

We agree that we have read and understood the LCH.Cleernet Rulebook in particular Section ~~2D.15-1.15~~ Corporate Actions and that this election is made in compliance of the relevant procedures.

**Contact Details**

Name	Position	Phone Number

		<u>Phone Number</u>

**Authorised Signatory**

<b>Name</b>	<b>Title</b>	<b>Date</b>

<u>Name</u>	<u>Title</u>	<u>Date</u>

FOA – LCH.Cleernet Business Operations Department  
**Telephone Number: +44 (0)20 7426 7601**

**E-mail – [EquityClearBusinessOps@lchclearnet.com](mailto:EquityClearBusinessOps@lchclearnet.com)**

**E-mail – [EquityClearBusinessOps@lchclearnet.com](mailto:EquityClearBusinessOps@lchclearnet.com)**

**We as Members will confirm timely receipt of this Election by following up with the above contact.**



**SECTION 2E**

**CONTENTS**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2E**

**LCH ENCLEAR OTC CLEARING SERVICES**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>2E. LCH ENCLEAR OTC SERVICES .....</del>	<del>2</del>
<del>2E.1 GENERAL MATTERS .....</del>	<del>2</del>
<del>2E.2 FREIGHT DIVISION .....</del>	<del>18</del>
<del>2E.3 ENERGY DIVISION .....</del>	<del>21</del>
<del>2E.4 PRECIOUS METALS DIVISION .....</del>	<del>23</del>
<del>2E.5 Option Exercise and Expiry .....</del>	<del>26</del>
<del>2E.6 EMISSIONS DELIVERY PROCEDURES .....</del>	<del>28</del>
<del>2E.7 PRECIOUS METALS: DELIVERY PROCEDURES .....</del>	<del>48</del>
<del>Appendices 2E.A .....</del>	<del>56</del>
<del>    Emissions deliveries .....</del>	<del>56</del>
<del>Appendices 2E.B .....</del>	<del>57</del>
<del>    Seller's EUA Forward Contracts Delivery Confirmation Form .....</del>	<del>57</del>
<del>Appendices 2E.C .....</del>	<del>58</del>
<del>    Seller's CER Forward Contracts Delivery Confirmation Form .....</del>	<del>58</del>
<del>Appendices 2E.D .....</del>	<del>59</del>
<del>    BUYER'S EUA Forward Contracts Delivery Confirmation Form .....</del>	<del>59</del>
<del>Appendices 2E.E .....</del>	<del>60</del>
<del>    BUYER'S CER Forward Contracts Delivery Confirmation Form .....</del>	<del>60</del>
<u>1. LCH EnClear OTC Clearing Services .....</u>	<u>1</u>
<u>    1.1 General Matters .....</u>	<u>1</u>
<u>    1.2 Accounts .....</u>	<u>10</u>
<u>    1.3 Margin and Collateral .....</u>	<u>12</u>
<u>    1.4 Trade Management for the Freight and Energy Divisions .....</u>	<u>14</u>
<u>    1.5 Trade Management for the Precious Metals Division .....</u>	<u>17</u>
<u>    1.6 Position Transfers .....</u>	<u>18</u>
<u>    1.7 Reports .....</u>	<u>18</u>
<u>    1.8 Fees .....</u>	<u>19</u>
<u>    1.9 Tax .....</u>	<u>19</u>
<u>    1.10 Freight Division .....</u>	<u>20</u>
<u>    1.11 Energy Division .....</u>	<u>23</u>
<u>    1.12 Precious Metals Division .....</u>	<u>24</u>
<u>    1.13 Option Exercise and Expiry .....</u>	<u>27</u>
<u>    1.14 Emissions Delivery Procedures .....</u>	<u>28</u>
<u>    1.15 Precious Metals: Delivery Procedures .....</u>	<u>51</u>

**Fourth Bank of England Submission**

<u>1.16 LCH EnClear OTC Client Clearing Services .....</u>	<u>59</u>
<u>1.17 Indirect Clearing.....</u>	<u>61</u>
<u>Schedule 2E.A.....</u>	<u>63</u>
<u>Emissions deliveries.....</u>	<u>63</u>
<u>Schedule 2E.B.....</u>	<u>64</u>
<u>Seller’s EUA Forward Contracts Delivery Confirmation Form .....</u>	<u>64</u>
<u>Schedule 2E.C.....</u>	<u>65</u>
<u>Seller’s CER Forward Contracts Delivery Confirmation Form .....</u>	<u>65</u>
<u>Schedule 2E.D.....</u>	<u>66</u>
<u>Buyer's EUA Forward Contracts Delivery Confirmation Form .....</u>	<u>66</u>
<u>Schedule 2E.E.....</u>	<u>67</u>
<u>Buyer's CER Forward Contracts Delivery Confirmation Form.....</u>	<u>67</u>

## **2E.1. LCH ENCLEAR ENCLEAR OTC SERVICES CLEARING SERVICES**

### **GENERAL MATTERS**

#### **1.1 General Matters**

##### **2E.1.1 1.1.1 Introduction**

These Procedures form part of the Rulebook (the General Regulations, Default Rules, Settlement Finality Regulations and Procedures of the Clearing House) and must be read in conjunction with the other parts of the Rulebook. Clearing Members must inform themselves fully of their obligations under the Rulebook and other relevant documentation, such as the Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities. It is to be noted that the Rulebook (including these Procedures) is subject to change from time to time.

LCH EnClear OTC Services are provided to Clearing Members authorised by the Clearing House to participate in it ("~~LCH EnClear OTC Clearing Members~~" or "~~GCMs~~") "LCH EnClear OTC Clearing Members" in respect of "Eligible OTC Trades" executed by ~~GCMs~~ LCH EnClear OTC Clearing Members. Such transactions must comply with the Clearing House's requirements (see the LCH EnClear OTC Regulations).

These Procedures apply to all LCH EnClear OTC Contracts on ECS or Synapse (as set out hereafter) and consist of:

- A general section (~~2E.1~~) Section 1.1 to 1.9 applicable) across the three divisions of the LCH EnClear OTC Services;
- Sections specific to the Freight Division (~~2E.2~~), Section 1.10, the Energy Division (~~2E.3~~) Section 1.11 and the Precious Metals Division (~~2E.4~~); Section 1.12);
- A section describing option exercise and expiry (~~2E.5~~); ~~and~~ Section 1.13);
- Sections specific to Emissions ~~Deliveries (2E.6) and Precious Metals Deliveries (2E.7)~~; Delivery Procedures (Section 1.14) and Precious Metals Delivery procedures (Section 1.15); and
- Sections specific to Client Clearing (Sections 1.16 and 1.17).

In the event of any conflict between any provision of these Procedures and any requirement, rule or provision of any other documentation, these Procedures shall prevail.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

##### **2E.1.2 1.1.2 Definitions**

**Fourth Bank of England Submission**

The following terms shall have the meanings below for the purposes of these Procedures:

<b>GCM</b>	<del>An LCH EnClear OTC Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in LCH EnClear OTC Services</del>
<b>ECS</b>	<del>The Extensible Clearing System, made available by the Clearing House for position management in the Freight and Energy Divisions of the LCH EnClear OTC Service</del>
<b>Synapse</b>	<del>The Clearing System, made available by the Clearing House for the purpose of registering trades in the LCH OTC Precious Metals Division</del>
<b>ClearWay</b>	<del>A user interface made available by the Clearing House for the purpose of entering and confirming Eligible OTC Trades for the EnClear market and for submission of Eligible OTC trades into ECS for clearing</del>
<b>Approved Broker</b>	<del>A broker that has entered into an LCH EnClear OTC Services Approved Broker Agreement</del>
<b>OTP</b>	<del>OTC EnClear Trading Platform</del>

**"LCH EnClear OTC Clearing Member"** means an LCH EnClear OTC Clearing Member that has entered into a Clearing Extension Agreement with the Clearing House for the purpose of participating in LCH EnClear OTC Services.

**"ECS"** means the Extensible Clearing System, made available by the Clearing House for position management in the Freight and Energy Divisions of the LCH EnClear OTC Service.

**"Synapse"** means the Clearing System, made available by the Clearing House for the purpose of registering trades in the LCH OTC Precious Metals Division.

**"ClearWay"** means a user interface made available by the Clearing House for the purpose of entering and confirming Eligible OTC Trades for the EnClear market and for submission of Eligible OTC Trades into ECS for clearing.

**"Approved Broker"** means a broker that has entered into an LCH EnClear OTC Services Approved Broker Agreement.

**"OTP"** means OTC EnClear Trading Platform.

**2E.1.3**1.1.3 Agreements

**2E.1.3.1**(a) Clearing Approval

Only Clearing Members may clear LCH EnClear OTC Contracts.

Details of how to obtain Clearing Member status at the Clearing House or how to become approved by the Clearing House as a [GCMLCH EnClear OTC Clearing Member](#) of the Freight, Energy and/or Precious Metals Divisions can be obtained from the Clearing House's Membership [d](#)Department on +44 (0)207 426 7627/7521/7968.

Clearing Members seeking approval from the Clearing House to clear Eligible OTC Trades in any one of the Freight, Energy or Precious Metals Divisions must submit to the Clearing House the appropriate signed Clearing Extension Agreement(s) which can be obtained from the [Clearing House's](#) Membership [d](#)Department.

Where a Clearing Member already has approval to clear LCH EnClear OTC Contracts in one Division of the LCH EnClear OTC Services and wishes to submit trades for registration in another Division, that Clearing Member must seek further approval from the Clearing House in respect of that other Division.

#### **2E.1.4.1.1.4** Customers

Parties ([“\("Customers"\)](#)) who are not [GCMLCH EnClear OTC Clearing Members](#) may not directly clear trades through the LCH EnClear OTC Service. However, any such Customer may enter into an agreement with a [GCMLCH EnClear OTC Clearing Member](#) who has been approved (on such terms as may be agreed between them) to clear that Customer's trades. Particulars of such a trade, if it is an Eligible OTC Trade – that is, it meets all the relevant criteria published by the Clearing House from time to time – may be submitted for registration to the Clearing House by the [GCMLCH EnClear OTC Clearing Member](#) in accordance with the Regulations and these Procedures. For the Freight and Energy Divisions, a clearing arrangement is entered into if particulars relating to that trade are [“accepted”](#) by two relevant [GCMLCH EnClear OTC Clearing Members](#) who each agree to become counterparty to the appropriate LCH EnClear OTC Contract with the Clearing House, in accordance with the Regulations and these Procedures.

However, there is no relationship between the Clearing House and any Customer and no Customer has any rights against the Clearing House in respect of any LCH EnClear OTC Contract.

#### **2E.1.5.1.1.5** Approved Brokers

Only brokers who are expressly authorised by the Clearing House ("**Approved Broker**") may access ClearWay and submit Eligible OTC Trades for registration. These brokers need to seek permission from the Clearing House to submit eligible trades under each product type separately:

- Freight (FFAs, Options and Containers)
- Iron Ore (Swaps and Options)
- Steel

- Coal (Swaps and Options)
- Fertilizer
- Emissions (physical Swaps and Options)

The Rules of the Broker Scheme, which bind each Approved Broker and a copy of the Freight and Energy Agreements to be signed between the Clearing House and the Approved Broker, are available from the Clearing House.

Details of how to obtain Approved Broker status at the Clearing House of the Freight and/or Energy Division can be obtained from the Clearing House's Membership Department on +44 (0)207 426 7627/7521/7968.

Where a broker who is not an Approved Broker purports to input particulars of a trade via ClearWay, that trade will not be registered by the Clearing House and will be rejected by the Clearing House.

**PLEASE NOTE:** If the two relevant [GCMs LCH EnClear OTC Clearing Members](#) accept an Eligible OTC Trade which has been brokered, within the ~~timeframe~~[time frame](#) laid down by these Procedures, it will be registered by the Clearing House in the names of those [GCMs LCH EnClear OTC Clearing Members](#), whether or not those [GCMs LCH EnClear OTC Clearing Members](#) have appointed or authorised that broker to submit such a trade.

In the event that a trade is submitted to the Clearing House for registration by an Approved Broker and such trade is accepted for registration by that ~~GCM, that GCM~~[LCH EnClear OTC Clearing Member, that LCH EnClear OTC Clearing Member](#) shall be bound by an LCH EnClear OTC Contract arising there-from, notwithstanding that any trade particulars submitted by that Approved Broker in respect of such trade are erroneous or incorrect. ~~A GCM~~[A LCH EnClear OTC Clearing Member](#) shall accept full responsibility to the Clearing House for any trade notified to the Clearing House by an Approved Broker.

The Clearing House shall not be liable for any errors or omissions on the part of an Approved Broker who inputs a trade via ClearWay and which is registered by the Clearing House.

Approved Brokers do not act as agents for the Clearing House in participating in the services offered by the Clearing House in the LCH EnClear OTC Services.

The Clearing House, in adding a broker to the list of Approved Brokers, makes no warranty or promise regarding the competence, ability, experience or professional skills of any Approved Broker, or at all, notwithstanding that such broker shall have been authorised by the Clearing House to submit trades under the relevant product types. The authorisation of such brokers as Approved Brokers is purely to assist [GCMs LCH EnClear OTC Clearing Members](#) to submit trades to the Clearing House for registration in the names of those [GCMs LCH EnClear OTC Clearing Members](#). No check is made

regarding the skills, professionalism or competence of those brokers, nor is any consideration paid by any such, in return for authorisation or at all.

**2E.1.6**1.1.6 OTPs

Application for OTC Enclear trading platform status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of OTPs currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional OTPs, it will notify LCH EnClear OTC Clearing Members via a member circular.

OTPs may submit Eligible OTC Trades for registration via the ClearWay ticket entry system.

LCH.Clearnet has signed agreements with the following OTPs:

- **Baltic Exchange Derivatives Trading Limited (~~("BEDT")~~).** BEDT submit trades for clearing via ClearWay. Tickets therefore pass through the ClearWay Lot Limit Credit Filter and are automatically accepted by the ~~GCMs~~LCH EnClear OTC Clearing Members (STP facility) and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no limit has been set by the ~~GCMs~~LCH EnClear OTC Clearing Members, will remain in ClearWay as pending transactions for ~~GCMs~~LCH EnClear OTC Clearing Members to accept manually.
- **Cleartrade (~~("CT")~~).** CT connects directly to ECS and has its own Credit Filter, monitored by CT itself. Trades are sent to the Clearing House pre-confirmed by the ~~GCMs~~LCH EnClear OTC Clearing Members in the CT Credit Filter, meaning ~~GCMs~~LCH EnClear OTC Clearing Members will not have to accept the trades in either ECS or ClearWay and they will be registered as soon as received in ECS. On occasion, CT may manually enter details of trades transacted on their screen into ClearWay. These tickets will therefore pass through the ClearWay Lot Limit Credit Filter and be automatically accepted by the ~~GCMs~~LCH EnClear OTC Clearing Members and registered for clearing in ECS if they are within the parameters set. Transactions which are not within the parameters set, or where no credit limit has been set by the ~~GCMs~~LCH EnClear OTC Clearing Members, will remain in ClearWay as pending transactions for ~~GCMs~~LCH EnClear OTC Clearing Members to accept manually.

**PLEASE NOTE:** If a ~~GCM~~LCH EnClear OTC Clearing Member accepts an Eligible OTC Trade which has been matched on BEDT, within the timeframe laid down by these Procedures, it will be registered by the Clearing House in the name of that ~~GCM~~LCH EnClear OTC Clearing Member, whether or it is a participant of BEDT.

In the event that a trade is submitted to the Clearing House for registration by an OTP and such trade is ~~"accepted"~~ for registration by that ~~GCM~~LCH



**Fourth Bank of England Submission**

EnClear OTC Clearing Member, that ~~GCMLCH EnClear OTC Clearing Member~~ shall be bound by an LCH EnClear OTC Contract arising there-from, notwithstanding that any trade particulars submitted by that OTP in respect of such trade are erroneous or incorrect.

The Clearing House shall not be liable for any errors or omissions on the part of an OTP who inputs a trade directly to ECS or via ClearWay and which is registered by the Clearing House.

**2E.1.7.1.1.7** Contract Terms

The LCH EnClear OTC Contract Terms for contracts cleared in the Energy Division are set out in ~~Section 3.3 of Part A of the Schedule to the LCH EnClear OTC Regulations~~the Product Specific Contract Terms and Eligibility Criteria Manual.

The LCH EnClear OTC Contract Terms for contracts cleared in the Freight Division are set out in ~~Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations~~the Product Specific Contract Terms and Eligibility Criteria Manual.

The LCH EnClear OTC Contract Terms for contracts cleared in the Precious Metals Division are set out in ~~Section 3.5 of Part A of the Schedule to the LCH EnClear OTC Regulations~~the Product Specific Contract Terms and Eligibility Criteria Manual.

The Eligibility Criteria for each LCH EnClear OTC Contract are set out in ~~Part B of the Schedule to the LCH EnClear OTC Regulations~~the Product Specific Contract Terms and Eligibility Criteria Manual.

**2E.1.8.1.1.8** Registration

**2E.1.8.1(a)** General

Eligible OTC Trades in the Freight and Energy Divisions must be submitted to the Clearing House either via ClearWay or by an OTP for processing in the ECS ~~S~~system.

Eligible OTC Trades in the Precious Metals Division must be submitted to the Clearing House via LMESmart for processing in Synapse.

The Clearing House may require a ~~GCMLCH EnClear OTC Clearing Member~~ in whose name an LCH EnClear OTC Contract is to be registered to transfer to the Clearing House Collateral in respect of the initial and variation margin obligations as a condition of registration.

**2E.1.8.2(b)** EnClear Market User Systems

**2E.1.8.2.1(i)** ClearWay

## **Fourth Bank of England Submission**

ClearWay is an application used by [GCMs LCH EnClear OTC Clearing Members](#), Approved Brokers and OTPs to enter [eEligible OTC Trades](#), which once confirmed by both [GCMs LCH EnClear OTC Clearing Member's](#), will be registered for clearing in ECS.

ClearWay contains a Lot Limit Credit Filter which enables [GCMs LCH EnClear OTC Clearing Members](#) to set limits for their position accounts. If a ticket is entered which falls within a [GCM's LCH EnClear OTC Clearing Member's](#) set parameters, it's side of the trade will be automatically confirmed.

Transactions which breach the parameters set, or where no credit limit has been set by the [GCMs LCH EnClear OTC Clearing Members](#), will remain in ClearWay as pending transactions, for [GCMs LCH EnClear OTC Clearing Members](#) to accept manually.

In the event that a trade is submitted to the Clearing House for registration by an OTP, Broker or [GCM LCH EnClear OTC Clearing Member](#) and such trade is accepted for registration by the [GCM LCH EnClear OTC Clearing Member](#), the [GCM LCH EnClear OTC Clearing Member](#) shall be bound by the terms set in LCH EnClear OTC Contract.

### **2E.1.8.2.2(ii) ECS**

ECS is the clearing system which registers trades within the LCH EnClear OTC Services: Freight and Energy Divisions. The following functionality is available to [GCMs LCH EnClear OTC Clearing Members](#):

- position keeping
- position adjustments
- position transfers (LCH.Clearnet will perform the transfers on the request of [GCMs LCH EnClear OTC Clearing Members](#))
- manual exercise/abandonment of Coal Options

### **2E.1.8.2.3(iii) Synapse**

The Synapse system will be used to process Eligible OTC Precious Metals Trades submitted for clearing via LMESmart.

Clearing Members should refer to the [“Synapse Member User Guide”](#) for operating instructions, full details of enquiries and report facilities and the Synapse Licence Agreement and Terms of Use.

**Fourth Bank of England Submission**

Details of registered LCH EnClear OTC Precious Metal Contracts will be disseminated to [GCMs LCH EnClear OTC Clearing Members](#) via Synapse GUI and the Clearing House Member Reporting site (private member-only site).

**2E.1.8.3(c)** Clearing House System Requirements

[GCMs LCH EnClear OTC Clearing Members](#) and Approved Brokers must maintain an acceptable network connection from a location acceptable to the Clearing House for connecting to the ECS system, ClearWay and/or Synapse in order to carry out their Clearing Member responsibilities within the clearing systems and to review their trades and positions as necessary.

**(d)** Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a EnClear OTC Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.

**2E.1.9**1.1.9 Submission and Acceptance of Eligible OTC Trades for Registration in the Freight and Energy Divisions

For registration of Eligible OTC Trades, [GCMs LCH EnClear OTC Clearing Members](#) must comply with all the requirements of the Clearing House as set out in the Rulebook and other relevant documentation issued by the Clearing House in this regard.

An Eligible OTC Trade submitted to the Clearing House, which complies with the Clearing House requirements for registration, will be deemed to be registered by the Clearing House immediately upon receipt by ECS, after the acceptance by both [GCMs LCH EnClear OTC Clearing Members](#), whether the acceptance is explicit or is given via the parameters of a credit filter.

**2E.1.10**1.1.10 Submission and Acceptance of Eligible OTC Trades for Registration in the Precious Metals Division

Matched trading data is presented for registration to the Clearing House in the name of the Clearing Member submitting them to the LMESmart Matching System (evidenced by the use of the system security password). Trades that exceed pre-set trade limits are held within Synapse, pending confirmation of acceptance for registration by the Clearing House.

Eligible OTC Precious Metal transactions which are not held in the pending queue will be registered upon acceptance in Synapse. Trades held in the pending queue will be registered upon release from the pending queue.

Eligible OTC ~~trades~~ Trades can be submitted on any London business day.

**2E.1.10.1(a)** Risk Pending Trades

The traded price and lot size of all trades presented to the Clearing House for registration are validated against a price range and lots limit file.

For each ~~value date~~ Value Date the price range above and below the previous day's closing price is calculated each day by reference to a pre-determined price limit for each Precious Metal (refer to ~~2E4.5~~.1.12.5).

The price limit is normally set to be identical to the prevailing scanning range for each contract; however, during periods of high price volatility this may temporarily be increased to avoid the suspension of trades which are within the day's trading range. Lot and price limits may be changed, by member circular, from time-to-time.

Trades input, where either the price range or the lot size limit is exceeded, will be matched in the usual manner, but will be written to a separate 'matched trade file' for subsequent acceptance or rejection by the Clearing House.

The Clearing House may alter the price and lots limits to cater for volatile price conditions. This will allow trades transacted at 'current' market prices to be input, matched and presented to the Clearing House for registration without requiring acceptance.

**2E.1.10.2(b)** Conditions for Acceptance of Risk Trades

Registration of trades held in the Risk Pending Queue is conditional on the provision of sufficient Collateral. The Clearing House will first consider any surplus Collateral held, ~~surplus credit variation margin, and any net credit variation margin in respect of new business,~~ before requesting additional Collateral from a Clearing Member. ~~Margin in this case is net debit variation margin for the account in which the trade is to be registered in respect of the pending trades, calculated automatically by the system with reference to the previous day's closing price.~~

If the Clearing House decides that additional Collateral is required, it will advise the Clearing Member as soon as possible. The Member so advised should contact the counterparty to the pending trade in order to notify them that there may be some delay prior to acceptance of the trade. At the same time, the currency and method of funds transfer, or type of collateral to be provided, will be agreed between the Clearing House and the Clearing Member. Only when the Clearing House has received Collateral or confirmation from the transferring PPS bank that the funds have been transferred will it accept the pending trades.

**Fourth Bank of England Submission**

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Clearing Member to ensure that any trades likely to require acceptance are input and matched as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House (to meet debit variation margin obligations arising from pending trades) or arrangements are in place to meet additional calls for Collateral. -Matched trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted the next business day, when the same process will apply.

**2E.1.11** 1.1.11 Novation

Once a trade has been registered in ECS, novation replaces each Eligible OTC Trade submitted through the LCH EnClear OTC Services with two separate LCH EnClear OTC Contracts: one between the selling GCMLCH EnClear OTC Clearing Member and the Clearing House and the other between the buying GCMLCH EnClear OTC Clearing Member and the Clearing House.

**2E.1.12** 1.1.12 Rejection

If the Clearing House does not register a trade presented for registration it will notify the relevant GCMsLCH EnClear OTC Clearing Members concerned within a reasonable time, indicating the reasons for rejection.

**2E.1.13** 1.1.13 Notification

For the Freight and Energy Divisions, all LCH EnClear OTC Contracts arising from registered Eligible OTC Trades are listed on ECS and in the daily Trade report available through the Clearing House's Member reporting extranet site.

For the Precious Metals Division, all LCH EnClear OTC Contracts arising from registered Eligible OTC Trades are listed on the Clearing Member Registration Statement available on Synapse.

1.2 Accounts

1.2.1 Proprietary and Client Accounts

(a) Proprietary Accounts

A LCH EnClear OTC Clearing Member 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:

(i) a position account; and

**Fourth Bank of England Submission**

(ii) a collateral account.

(b) Client Accounts

(i) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.16 (LCH EnClear OTC Client Clearing Services) below, a LCH EnClear OTC Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(A) Individual Segregated Accounts;

(B) Non-Identified Client Omnibus Net Segregated Account;

(C) Identified Client Omnibus Net Segregated Accounts; and/or

(D) Affiliated Client Omnibus Net Segregated Accounts.

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

(A) one or more position accounts; and

(B) a collateral account.

**2E.1.14.1.2.2** Position Keeping Accounts

**2E.1.14.1(a)** Types of Accounts for the Freight and Energy Divisions

Positions with regard to LCH.Clearnet Freight and Energy Contracts are recorded within the ECS system in position-keeping accounts. ~~For the avoidance of doubt, these position-keeping accounts in ECS are not “Member accounts” as described in Regulation 5 of the General Regulations.~~

~~GCMs may open and utilise position accounts at their discretion. For example, a GCM may wish to have a separate account for each customer, several accounts for one customer or one account for several customers.~~

A LCH EnClear OTC Clearing Member's position account will be assigned a free format alphanumeric code, as prescribed by the LCH EnClear OTC Clearing Member.

~~There is no restriction on the number of individual position accounts a GCM may open. The account reference for each position account within the Clearing House systems will be a free format alphanumeric code, as prescribed by the GCM.~~LCH EnClear OTC Clearing Member may open.

**2E.1.14.2(b)** Types of Accounts for the Precious Metals Divisions

**Fourth Bank of England Submission**

~~Positions with regard to LCH Precious Metals OTC Contracts are recorded within the GCM's House account within Synapse.~~

A LCH EnClear OTC Clearing Member's position account will be assigned a free format alphanumeric code, as prescribed by the LCH EnClear OTC Clearing Member.

There is no restriction on the number of individual position accounts a LCH EnClear OTC Clearing Member may open.

~~2E.1.14.3(c)~~ Basis of Position Keeping for the Freight and Energy Divisions

Position Accounts in respect of a LCH EnClear OTC Clearing Member's Proprietary Account can be held net or gross, as required by the ~~GCM, GCMs~~ LCH EnClear OTC Clearing Member. LCH EnClear OTC Clearing Members must notify the Clearing House of their requirements in this regard.

~~2E.1.14.4(d)~~ Basis of Position Keeping for the Precious Metals Divisions

~~Positions within a GCM's House account are held net.~~

Position Accounts in respect of a LCH EnClear OTC Clearing Member's Proprietary Account can be held net or gross, as required by the LCH EnClear OTC Clearing Member. LCH EnClear OTC Clearing Members must notify the Clearing House of their requirements in this regard.

~~2E.1.14.5(e)~~ Position Settlement (Gross Accounts) for Freight and Energy Divisions

Where a position account is held gross, the ~~GCM~~ LCH EnClear OTC Clearing Member may, if it so wishes, carry out a closeout by the manual settlement of open positions, using the position adjustment facility in the ECS system.

~~2E.1.14.6~~ 1.2.3 Financial Collateral Accounts

Position accounts have ~~financial~~ collateral accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realised margin obligations.

~~GCMs' financial~~ Where appropriate, LCH EnClear OTC Clearing Members' collateral accounts are identified by a single character code: "H" "C" for ~~house business, "H" or "C" for non-segregated business and "C" or individual "O" (+3-alpha/numeric)~~ LCH EnClear OTC Client Clearing Business collateral accounts ~~or segregated client~~ and "H" for LCH EnClear OTC Clearing House Business collateral accounts.

Position accounts will map to ~~a GCM's "C"~~ either a LCH EnClear OTC Clearing Member's "C" account, "H" account or any "O" or "H" account, as specified by that Member. ~~There shall be no offset of collateral between financial accounts, save as permitted by Default Rule 8(d) (where the Clearing~~



**Fourth Bank of England Submission**

~~House may apply any balance on the Proprietary Account(s) to meet any shortfall on~~

Each client "C" position-keeping account and the client "C" collateral account(s) of a Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the Clearing Member 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.

~~For the Precious Metals Division GCMs' House accounts will map to "H" financial account.~~

At the Clearing ~~House's~~House's discretion, further ~~financial~~ accounts, ~~used only to record financial balances,~~ may be opened as follows:

	<b>Code</b>
Buffer account (House), used for holding <del>additional</del> <u>cash in relation to House business</u> <u>Excess</u>	B
Buffer account (Client), used for holding <del>additional</del> <u>cash in relation to Client business</u> <u>Excess</u>	E

~~2E.1.14.7~~1.2.4 Default Fund (DF) Account

Each Clearing Member's Default Fund Contribution is held in a separate ~~financial~~ account. In accordance with the Default Rules this account attracts a higher rate of interest at 3 month LIBOR + 1%. The Default Fund account code is "F".

**Margins**

**1.3 Margin and Collateral**

~~2E.1.15.1~~1.3.1 Initial Margins

Separate initial margin calculations are performed for a ~~GCM's House~~ "H", Clearing Member's Proprietary Account and for each Client "Account which is a sub-account of a Clearing Member's client "C" and Client "O" accounts," account. No offset between ~~these~~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.

Margin obligations for each account are ~~margin~~ed calculated net, meaning that if long and short positions are held in the same delivery month, the initial margin ~~is charged on~~requirement is calculated by reference to the net position.

~~2E.1.15.2~~1.3.2 Initial Margins Parameters



Initial margin parameters are set by the Clearing House. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for an individual ~~GCM's~~ LCH EnClear OTC Clearing Member's house and/or client accounts.

~~GCMs~~ LCH EnClear OTC Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

#### ~~2E.1.15.3~~ 1.3.3 Calculation of Initial Margins~~s~~

London SPAN

~~Initial margins~~ The initial margin obligations are re-calculated at the close of each business day using the London SPAN algorithm, which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange<sup>2</sup>.

For full details of how London SPAN calculates ~~margins~~ the margin requirement, reference should be made to the SPAN technical information package available from the Clearing House Service Desk +44 (0)20 7426 7200. Technical questions should be directed to the Clearing House Risk Management department on +44 (0)20 7426 7620.

#### ~~2E.1.15.4~~ 1.3.4 Realised Variation Margin

~~The majority of LCH~~ EnClear OTC Contracts are settled to market daily by the Clearing House in accordance with the relevant LCH EnClear OTC Contract Terms. Profits or losses are either credited to or debited from ~~GCMs' relevant financial accounts~~ LCH EnClear OTC Clearing Members' relevant Proprietary Account or Client Account (as applicable) (realised margin).

Separate variation margin calculations are performed for a Clearing Member's Proprietary Account and for each Client Account which is a sub-account of a Clearing Member's client "C" 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.

Realised margin is the calculated profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded i.e. the Fixed Price for new trades and the previous day's Reference Price for other positions.

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<sup>1</sup>The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

<sup>2</sup>The Chicago Mercantile Exchange (CME) permitted the Clearing House to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. 'SPAN [TM] ®' is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

**Fourth Bank of England Submission**

~~Separate variation margin calculations are performed for a GCM's House 'H', Client 'C' and each Client 'O' financial account. No offset between accounts is allowed.~~

~~2E.1.15.5~~1.3.5 Contingent Variation Margin

~~Certain types of LCH EnClear OTC Contracts (World Scale Wet Freight) are marked to market daily by the Clearing House in accordance with the relevant LCH EnClear OTC Contract Terms. Un-realised margin~~Contingent Variation Margin ("CVM") is calculated for LCH EnClear OTC Contracts (Energy Division) between expiry and delivery. CVM is the calculated contingent profit or loss arising from a comparison between the values of open positions at the relevant Reference Price with the value of positions recorded i.e. the original traded price.

~~Separate contingent variation margin calculations are performed for a Clearing Member's House 'H', Client 'C'~~Member's Proprietary Account and for each Client 'O' financial Account which is a sub-account of a Clearing Member's client "C" 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.

~~2E.1.15.6~~1.3.6 Option Variation Margin

As premium is paid up front, option variation margin is the value of unexpired option, calculated with reference to the official quotation. Bought and sold options generate credit and debit NLV (Net Liquidation Value) margin respectively.

Separate NLV variation margin calculations are performed for a Clearing ~~Member's House 'H', Client 'C'~~Member's Proprietary Account and for each Client 'O' financial Account which is a sub-account of a Clearing Member's client "C" 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.

~~2E.1.15.7~~1.3.7 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 considers it necessary. Intra-day margin calls will be made through the Protected Payments System in London or the USA (USD).

~~2E.1.16~~1.4 Trade Management for the Freight and Energy Divisions

~~2E.1.16.1~~1.4.1 Trade Entry

Eligible OTC Trades for the Freight and Energy Divisions may be submitted for clearing either directly by the ~~GCM~~LCH EnClear OTC Clearing Member or by an Approved Broker via ClearWay, or through an OTP. A list of Approved Brokers is available from the Clearing House.

**Fourth Bank of England Submission**

BEDT trades will be submitted via the Baltex screen, which is linked directly to ClearWay. Cleartrade trades may be entered via the Cleartrade screen, which is linked directly to ECS, or manually (by Cleartrade staff) via ClearWay.

The following particulars of Eligible OTC Trades must be entered in ClearWay via its Ticket Entry screen:

- (a) Product;
- (b) Series (Spot, Month, Quarter, Season or Calendar);
- (c) Contract Type (Forward, Call or Put);
- (d) Prompt (contract day, month, quarter, season or calendar);
- (e) Strike (select from the dropdown list);
- (f) Seller Ref (a sequential number);
- (g) Buyer Ref (same as the Seller Ref);
- (h) Seller Account (obtained from the customer or its ~~GCM~~ [LCH EnClear OTC Clearing Member](#));
- (i) Buyer Account (obtained from the customer or its ~~GCM~~ [LCH EnClear OTC Clearing Member](#));
- (j) Lots (per month (or day in the case of spot));
- (k) Price.

The following particulars of Eligible OTC Trades must be entered in ClearWay via an Upload file:

- (a) Type (always TICKET);
- (b) Sell Trader (always LCH1);
- (c) Sell Account (obtained from the customer or its ~~GCM~~ [LCH EnClear OTC Clearing Member](#));
- (d) Sell Broker (their 3 letter mnemonic);
- (e) Buy Trader (always LCH1);
- (f) Buy Account (obtained from the customer or its ~~GCM~~ [LCH EnClear OTC Clearing Member](#));
- (g) Buy Broker (their 3 letter mnemonic);
- (h) Contract (combination of the product, series, contract type, prompt and strike);

- (i) Quantity (in lots);
- (j) Price;
- (k) Buy Client Ref (a sequential number);
- (l) Sell Client Ref (same as the Buy Client Ref);
- (m) Anonymous Trade (always Y)

In certain circumstances the Clearing House may enter trades upon request from a [GCM LCH EnClear OTC Clearing Member](#), Approved Broker, OTP or other party. In such circumstances, the Clearing House shall have no liability to the [GCM LCH EnClear OTC Clearing Member](#), Approved Broker, OTP or any other party for any failure to input trades or for inputting trade details incorrectly.

#### **2E.1.16.2** 1.4.2 Trades between persons who are not [GCMs LCH EnClear OTC Clearing Members](#)

Where an Eligible OTC Trade is executed directly between two parties who are not [GCMs LCH EnClear OTC Clearing Members](#), or between a [GCM LCH EnClear OTC Clearing Member](#) and another party, the trade may be submitted for clearing provided that each party to that trade has a [GCM LCH EnClear OTC Clearing Member](#) who is prepared to “accept” that trade for clearing. Such Eligible OTC Trades will then be submitted to the relevant [GCMs LCH EnClear OTC Clearing Members](#) via ClearWay for acceptance.

#### **2E.1.16.3** 1.4.3 Acceptance of Trades

Energy and Freight Trades must be accepted by [GCMs LCH EnClear OTC Clearing Members](#) in order to be cleared.

When details of an Eligible OTC Trade are input via ClearWay, such trade details will be sent to the [GCMs LCH EnClear OTC Clearing Members](#) identified in such particulars, who may then accept or reject their side of that trade.

[GCMs LCH EnClear OTC Clearing Members](#) can accept and reject trades in ClearWay manually, but can also set lot limit parameters for their customers, such that trades which fall within those parameters are automatically deemed as accepted by those [GCMs LCH EnClear OTC Clearing Members](#). Trades which do not pass the lot limit validation criteria set by a [GCM LCH EnClear OTC Clearing Member](#) will go to a pending state, and will not be cleared unless they are manually accepted on the same day by the [GCM LCH EnClear OTC Clearing Member](#). If a [GCM LCH EnClear OTC Clearing Member](#) has a credit limit set up for an account and a trade is entered which is within that limit, that [GCM LCH EnClear OTC Clearing Member](#) will not have an opportunity to reject that trade.

Once a trade has been accepted by both [GCMs LCH EnClear OTC Clearing Members](#) in ClearWay, either manually or automatically via the credit filter, it

is submitted to ECS for registration, where the trade is novated and a subsequent LCH OTC Contract arises between each [GCMLCH EnClear OTC Clearing Member](#) and LCH.Clearnet.

Cleartrade trades need to be confirmed in Cleartrade's ~~credit filter~~[Credit Filter](#) prior to being accepted by ECS for registration. ~~GCMs~~ [LCH EnClear OTC Clearing Members](#) can set credit limit parameters for their clients in Cleartrade and should refer to Cleartrade's procedures for further details of this.

If a trade is neither accepted nor rejected by both [GCMsLCH EnClear OTC Clearing Members](#) by close of business at the end of any business day, it shall cease to be eligible for registration in the name of that [GCMLCH EnClear OTC Clearing Member](#) or any other [GCMLCH EnClear OTC Clearing Member](#) and the trade will either remain open as a bi-lateral uncleared trade or be terminated, dependent upon what the trading parties have agreed in the event of non-registration and will automatically be deleted from the ClearWay system.

Acceptance by a [GCMLCH EnClear OTC Clearing Member](#) of any Eligible OTC Trade means that the [GCMLCH EnClear OTC Clearing Member](#) so accepting agrees to be bound by an LCH EnClear OTC Contract arising in respect of that OTC trade in accordance with the Regulations and these Procedures, and other applicable documentation. Once a trade has been accepted in accordance with the requirements of the Clearing House, as notified from time to time to [GCMsLCH EnClear OTC Clearing Members](#), the trade may not be withdrawn, recalled or amended.

#### **2E.1.16.4**[1.4.4](#) Contra Trades

Where incorrect details of a trade have been accepted by both [GCMsLCH EnClear OTC Clearing Members](#) in accordance with the Regulations and these Procedures, the only available method to correct that trade will be by the entry of a contra trade.

A contra trade will not be required if the trade has a status of "pending" and has not been accepted by both counterparties, as the trade can be cancelled via ClearWay by the [GCMLCH EnClear OTC Clearing Member](#) or Approved Broker and input again with the correct details.

An accepted trade may need to be corrected by a contra trade for the following reasons:

- incorrect price;
- incorrect expiry month;
- incorrect product;
- incorrect lots (only where too many lots have been entered);
- incorrect buyer/seller.

GCMsLCH EnClear OTC Clearing Members will be able to view and confirm all contra trades in ClearWay. Contra trades will appear in ClearWay as new trades and it will be the responsibility of the GCMsLCH EnClear OTC Clearing Members to confirm the trades as appropriate. Where a contra trade is entered via ClearWay and passes the lot limit validation criteria set by a GCM LCH EnClear OTC Clearing Member, it will be automatically accepted by that GCM LCH EnClear OTC Clearing Member. Where a trade does not meet the validation criteria, it will pend and need to be manually confirmed by that GCM LCH EnClear OTC Clearing Member.

Contra trades will attract the same clearing fees as a normal trade unless Commercial Services are notified of the trade details on +44 (0)20 7426 7027/6311.

## **2E.1.17.1.5 Trade Management for the Precious Metals Division**

### **2E.1.17.1.5.1 Registration of Trades**

Matched trades will be received from LMESmart in Synapse. They are then immediately registered by the Clearing House (unless the trades are pending LCH.Clearnet Business Operations or Risk approval).

### **2E.1.17.2.1.5.2 Contra Trades**

Where a trade has been erroneously matched in LMESmart, the only available method to correct that trade will be by matched entries of a contra trade into LMESmart by the same Clearing Members.

A registered trade may need to be corrected by a contra trade for the following reasons:

- incorrect price;
- incorrect value date;
- incorrect lots (only where too many lots have been entered);
- incorrect buyer/seller.

## **2E.1.18.1.6 Position Transfers**

GCMsLCH EnClear OTC Clearing Members wishing to affect a position transfer from one GCM LCH EnClear OTC Clearing Member to another GCM LCH EnClear OTC Clearing Member should submit a request to the Clearing House Membership Team by email to MembershipTeam@lchclearnet.com. Confirmation of a position transfer is required from both the transferor GCM LCH EnClear OTC Clearing Member and the transferee GCM LCH EnClear OTC Clearing Member.

GCMsLCH EnClear OTC Clearing Members are requested to forward the Position Transfer Request as early as possible, but no later than 12:00 hours, on a business day, to ensure timely input of the details into ECS/Synapse.

**Fourth Bank of England Submission**

Provided that adequate Collateral is available from both [GCMs LCH EnClear OTC Clearing Members](#), the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is ~~provided~~ [transferred to the Clearing House](#).

**2E.1.19 1.7 Reports**

ECS

The ECS system will generate reports at the end of each business day detailing registered LCH EnClear OTC Contracts in the Freight and Energy Divisions, margin requirements and positions. These reports are available to [GCMs LCH EnClear OTC Clearing Members](#) and some to Approved Brokers via the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each [GCM LCH EnClear OTC Clearing Member](#) and Approved Broker to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

ClearWay

ClearWay will retain 90 days of trade data only, showing details of all trades entered and whether or not they cleared, which can be accessed by [GCMs LCH EnClear OTC Clearing Members](#) and Approved Brokers through the ClearWay GUI and downloaded as a report.

Synapse

Synapse will (as part of end-of-day processing) generate reports, which will be available via the Synapse GUI and the Clearing House Member Reporting site (a private member-only site).

It is the responsibility of each [GCM LCH EnClear OTC Clearing Member](#) to preserve any report required for historic, audit or legal purposes, including, but not limited to, any margin reports.

**2E.1.20 1.8 Fees**

Fees arising for the provision of LCH EnClear OTC Services will be collected from the [GCMs LCH EnClear OTC Clearing Members](#) monthly through the Members' accounts.

Details of tariffs and any changes thereto will be notified to [GCMs LCH EnClear OTC Clearing Members](#) by means of Member circulars.

For further details regarding fees (including details of how information regarding charges made for LCH EnClear OTC Contracts registered by the Clearing House is communicated to [GCMs LCH EnClear OTC Clearing Members](#)), please see Section [1.7 of Section 3.6](#) (*Financial Transactions, Fees*) of these Procedures. Members should also have regard for the individual [Sections](#) of these LCH EnClear OTC Services Procedures which may contain further information regarding fees.



**2E.1.21.1.9 Tax**

~~GCMs~~LCH EnClear OTC Clearing Members should take their own legal and accounting advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any LCH EnClear OTC Contract, it shall have the right to require reimbursement of such tax liability, together with any costs or expenses incurred by the Clearing House in connection with the administration and processing of such tax liability, from the ~~GCM~~LCH EnClear OTC Clearing Member who is or was party to that LCH EnClear OTC Contract and whom, in the Clearing House's reasonable opinion, should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through the Clearing House Protected Payments System.

To the extent that VAT, or any equivalent transaction tax, is due or becomes due in respect of a transaction under any LCH EnClear OTC Contract, the consideration which the parties have agreed is due under the contract will be regarded as exclusive of VAT or any equivalent transaction tax. Any VAT or equivalent transaction tax will be charged in addition to this amount.



## **FREIGHT DIVISION**

### **1.10 Freight Division**

#### **2E.2.1** 1.10.1 Introduction

This Section **2E.2.1.10** only applies to the Freight Division of the LCH EnClear OTC Services.

References to ~~“LCH EnClear OTC Clearing Members” or “GCMs”~~ in this ~~s~~Section, means those ~~GCMs~~LCH EnClear OTC Clearing Members who are party to, or accept, Eligible OTC Trades in the Freight Division for clearing by the Clearing House. See Section **2E.1.1.3** for further details about obtaining approval to clear within the Freight Division.

#### OTC Freight Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the LCH EnClear OTC Freight Division (~~“(“Eligible Products”)~~) may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in ~~Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations~~the Product Specific Contract Terms and Eligibility Criteria Manual and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into three categories of products within Freight Division. The list may change from time to time.

#### **2E.2.2.1(a)** FFA (Forward Freight Agreement) Products

Dry Timecharter Basket Routes – Forwards (CTC, ~~CTP~~, PTC, STC, HTC)

Dry Timecharter Trip & Basket Routes – Options (CTO, ~~CPO~~, PTO, STO, HTO, P2O)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6, D14)

#### ~~Baltic Exchange Dry Index (BDI)~~

#### **2E.2.2.2(b)** CFSA (Container Freight Swap Agreement) Products

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

**2E.2.2.3(c)** WCI Container Products

WRS (Rotterdam – Shanghai)

WLS (Los Angeles – Shanghai)

**2E.2.2.4(d)** Commodities

Iron Ore Swaps (TSI)

Iron Ore Options (TSO)

Steel Swaps (SCN, SCS, SST, SBC, SCC)

Fertilizer Swaps (UNO, UYZ, DTA, DNO, UAN, UNE)

Fertilizer Options (ONO)

Coal Swaps (API 2 and API 4)<sup>34</sup>

Coal Options (API 2 and API 4)<sup>56</sup>

**2E.2.3.1.10.2** Operating Times

**2E.2.3.1(a)** Opening Days

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Freight Division by Member Circular.

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<sup>3</sup> ~~API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.~~

<sup>4</sup> API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

<sup>5</sup> ~~See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.~~

<sup>6</sup> See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.

**2E.2.3.2(b)** Opening Hours

Eligible OTC Trades in the Freight Division may be notified during the following UK times:

<b>Products</b>	<b>Trade Entry Times</b>	<b>Trade Confirmation Times</b>
FFAs	07:00 – 18:00	07:00 – 18:30
Containers	07:00 – 18:00	07:00 – 18:30
Iron Ore	07:00 – 18:00	07:00 – 18:30
Steel	07:00 – 18:00	07:00 – 18:30
Fertilizer	07:00 – 18:00	07:00 – 18:30
Coal Swaps	07:00 – 18:00	07:00 – 18:30
Coal Options	07:00 – 18:00 On expiry date—: 07:00 – 17:00	07:00 – 18:30 On expiry date—: 07:00 – 17:30

Any trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input into ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an Eligible OTC Trade and will not be registrable that day. It may, however, be re-submitted on another day.

Note: **GCMs** [LCH EnClear OTC Clearing Members](#) are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

**2E.2.4.1.10.3** Trade Acceptance: Cleartrade Credit Filter

**GCMs** [LCH EnClear OTC Clearing Members](#) may elect to use Cleartrade Exchange Pte Ltd’s credit filter. If a **GCM** [LCH EnClear OTC Clearing Member](#) does so elect, then, when a trade is submitted through the filter, submission of the trade through the filter constitutes a deemed “acceptance” of the trade on behalf of the **GCM** [LCH EnClear OTC Clearing Member](#). If a **GCM** [LCH EnClear OTC Clearing Member](#) wishes to allow for trades to be submitted in its name, through the Cleartrade credit filter, it should contact the [Clearing House's](#) Membership Department ~~of LCH.Clearnet~~ for the requisite variation agreement, amending the Clearing Extension Agreement. ~~—GCMs~~ [LCH EnClear OTC Clearing Members](#) shall be bound by the LCH EnClear

**Fourth Bank of England Submission**

OTC Contract which arises subsequently, upon registration of the trade in ECS.

Correspondingly, where a trade has been submitted to via the Cleartrade credit filter, a pre-matched contra trade in respect of that trade may only be submitted via the Cleartrade credit filter.

**2E.2.5**1.10.4 Settlement

All LCH EnClear OTC Contracts arising from Eligible OTC Trades in the Freight Division are subject to cash settlement unless closed out prior to expiry of the relevant contract series (not permissible for World Scale wet contracts). No physical settlement is permissible.

**2E.2.6**1.10.5 Reference Prices for Daily Settlement and Marking to Market

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing ~~reference prices~~Reference Prices each ~~Business Day~~business day for daily settlement purposes and for the final settlement prices. See Part B of ~~the~~ Schedule 4 to the ~~LCH EnClear OTC Regulations~~Product Specific Contract Terms and Eligibility Criteria Manual for details of the reference prices for each eligible product in the Freight Division listed therein. The reference price will be the "Floating Price" for the purposes of the Contract Terms (see ~~the~~ Schedule ~~to~~ ~~LCH EnClear OTC Regulations~~4 of the Product Specific Contract Terms and Eligibility Criteria Manual).

## **ENERGY DIVISION**

### **1.11 Energy Division**

#### **2E.3.1**1.11.1 Introduction

This Section **2E.3.1.11** only applies to the Energy Division of the LCH EnClear OTC Services.

References to ~~“LCH EnClear OTC Clearing Members” or “GCMs”~~ in this ~~s~~Section, means those ~~GCMs~~LCH EnClear OTC Clearing Members, being OTC Participants, who are party to, or accept, Eligible OTC Trades in the Energy Division for clearing by the Clearing House. See Section ~~2E~~1.1.3 for further details about obtaining approval to clear the Energy Division.

#### **2E.3.2**1.11.2 OTC Energy Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the Energy Division of the LCH EnClear OTC Services (~~“(Eligible Products)”~~) may be submitted for registration. The contract terms of Eligible Products for the Energy Division are set out in ~~Section 3.3 of Part A of the Schedule to the LCH EnClear OTC Regulations~~the Product Specific Contract Terms and Eligibility Criteria Manual and may be amended from time to time.

Below is a list of Eligible Products in the Energy Division. This list may change from time to time.

#### **2E.3.2.1**(a) Emissions contracts

EUA Forward Contract (~~“(EUA)”~~)

CER Forward Contract (~~“(CER)”~~)

EUA Spot Contract (~~“(EUS)”~~)

CER Spot Contract (~~“(CES)”~~)

EUA Option Contract (~~“(EUO)”~~)

CER Option Contract (~~“(CEO)”~~)

#### **2E.3.3**1.11.3 Operating Times

##### **2E.3.3.1**(a) Opening Days

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Energy Division by Member Circular.

##### **2E.3.3.2**(b) Opening Hours

Eligible OTC Trades in the Energy Division may be notified during the following UK times:

<b>Products</b>	<b>Trade Times</b>	<b>Entry</b>	<b>Trade Confirmation Times</b>
Emissions Contracts	07:00 – 18:00		07:00 – 18:30

Any OTC trade which has not been accepted within the time specified above, on the day on which particulars of that trade are input via ClearWay, will be deleted from ClearWay automatically during the end of day run. It will cease to be an Eligible OTC Trade and will not be registrable that day. It may, however, be re-submitted on another day.

Note: [GCMs LCH EnClear OTC Clearing Members](#) are asked to note that where trades are executed or originated outside the Opening Hours, no registration can take place until the relevant registration time on the following Opening Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

#### **2E.3.4.1.11.4** Settlement

All LCH EnClear OTC Contracts arising from Eligible OTC Emission Trades are subject to physical delivery, unless closed out prior to commencement of the relevant delivery period.

[GCMs LCH EnClear OTC Clearing Members](#) should refer to Section ~~2E.6 of these Procedures~~ [1.14 \(Emissions Delivery Procedures\)](#) of these Procedures for full details of the delivery process.

#### **2E.3.5.1.11.5** Reference Prices for Daily Settlement and Marking to Market

The Clearing House will use a variety of data from market participants, price reporting agencies and brokers for the purposes of producing reference prices each ~~Business Day~~ [business day](#) for daily settlement purposes and for the final settlement prices. See ~~Part B of the Schedule to the LCH EnClear Regulations~~ [Product Specific Contract Terms and Eligibility Criteria Manual](#) for details of the reference prices for each ~~eligible product~~ [Eligible Product](#) in the Energy Division listed therein.

**PRECIOUS METALS DIVISION**

**1.12 Precious Metals Division**

**2E.4.1.1.1.1** Introduction

**2E.4.1.1(a)** This Section **2E.4.1.1.2** only applies to the Precious Metals Division of the LCH EnClear OTC Services.

References to **“LCH EnClear OTC Clearing Members”** or **“GCMs”** in this **s**Section, means those **GCMs** **LCH EnClear OTC Clearing Members** who are party to Eligible OTC Trades in the Precious Metals Division. See Section **2E.1.3** for further details about obtaining approval to clear the Precious Metals Division.

**2E.4.2.1.1.2** OTC Precious Metals Division Products Eligible for Clearing

Only trades in products approved by the Clearing House for the LCH EnClear OTC Precious Metals Division (**“Eligible Products”**) may be submitted for registration. The contract terms of Eligible Products for the Precious Metals Division are set out in **Section 3.5 of Part A of the Schedule to the LCH EnClear OTC Regulations** **the Product Specific Contract Terms and Eligibility Criteria Manual** as may be amended from time to time.

Below is a list of Eligible Products in the Precious Metal Division:

OTC Gold Forward (OGD)

OTC Silver Forward (AGD)

The OTC Gold Forward and OTC Silver Forward contracts are referred to in this Section **2E.4.1.1.2** and Section **2E.7.1.15** as the **“Precious Metal Contracts”** or as **g**Gold and **s**Silver respectively.

**2E.4.3.1.1.3** Operating Times

**2E.4.3.1(a)** Opening Days

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Precious Metals Division by Member Circular.

**2E.4.3.2(b)** Opening Hours

Eligible OTC Trades in the Precious Metals Division may be notified during the following UK times:

<b>Products</b>	<b>Trade Acceptance Times</b>
OGD (Gold) and AGD (Silver)	07:30 – 20:00 for forwards

	07:30 – 15:00 for next valid value date
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Any trade which has not been accepted within the time specified above on the day, on which particulars of that trade are input into Synapse, will be rejected by Synapse. It will cease to be an Eligible OTC Trade and will not be registered that day. GCMs LCH EnClear OTC Clearing Members may, however, elect to re-submit on another day.

Note: GCMs LCH EnClear OTC Clearing Members are asked to note that where trades are executed or originated outside Trade Acceptance times, no registration can take place until the relevant registration time on the following Business Day. Where a weekend and/or public holiday intervenes, registration may be delayed for more than a day.

2E.4.3.3 1.12.4 Settlement by Delivery:

- (a)(i) The net Lots covered by Precious Metal Contracts remaining open on expiry of the contract shall be settled on their Value Date by payment.
- (b)(ii) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Precious Metal Contracts at the Settlement Price and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight.
- (c)(iii) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under (b)(ii) above shall be effected through PPS.
- (d)(iv) The net Lots covered by Precious Metal Contracts open on expiry of the contract shall be settled by delivery between Unallocated Precious Metal accounts as set out below at 2E.7.1.15. Once the settlement instructions have been matched with LCH.Clearnet, the settlement is irrevocable.

2E.4.4 1.12.5 Reference Prices for Daily Settlement to Market of Precious Metal Contracts

The Clearing House will use the LBMA Gold Forward Curve and LBMA Silver Forward Curve anchored onto the spot gold and silver prices, respectively, for the purposes of producing reference prices each business day for daily settlement to market of contracts.

In the event that the LBMA Gold Forward Curve and/or LBMA Silver Forward Curve is not available or is deemed to not be an accurate reflection of current market prices, the Gold and/or Silver prices would be based on either:



**Fourth Bank of England Submission**

- broker quotes for spot gold or silver and a previous LBMA Gold Forward Curve or LBMA Silver Forward Curve adjusted to reflect changes in US interest rates; or
- gold or silver– forward prices that LCH.Clearnet Risk Department deems to be an accurate reflection of current market prices.

The Clearing House will use the London Gold Fixing PM price for the final settlement price. In the event that the London Gold Fixing PM price is not available (for example on Christmas eve) or deemed to not be an accurate reflection of the current market price either the London Gold Fixing AM price or broker quotes for spot gold or a price that LCH.Clearnet Risk Department deems to be an accurate reflection of the current market price will be used for the ~~final settlement price~~. Final Settlement Price.

The Clearing House will use the London Silver Fixing price for the final settlement price. In the event that the Silver Fixing price is not available (for example on Christmas eve) or deemed to not be an accurate reflection of the current market price either the broker quotes for spot silver or a price that LCH.Clearnet Risk Department deems to be an accurate reflection of the current market price will be used for the ~~final settlement price~~ Final Settlement Price.

The London Bullion Market Association is the owner of the LBMA Gold Forward Curve and the LBMA Silver Forward Curve. The London Gold Market Fixing Ltd is the owner of the London Gold Fixing price data and The London Silver Market Fixing Ltd is the owner of the London Silver Fixing price data.

## **2E.5.1.13** Option Exercise and Expiry

**2E.5.1.1.13.1** The OTC EnClear service provides option contracts that are exercised through the Clearing System.

### **2E.5.1.1(a)** Freight, Fertilizer and Iron Ore Options

Freight, Fertilizer and Iron Ore options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price which will be immediately cash settled. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

### **2E.5.1.2(b)** Emissions Options

Emission options are European style. Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price. Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Clearing Members cannot make any adjustments to the automatic exercise settings. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

### **2E.5.1.3(c)** Coal Options

Coal options are European style. Coal options will be automatically exercised or expired, unless manually exercised or cancelled, as described below.

#### **(i)** Automatic Exercise

Automatic exercise will occur if the option contract is one tick or more in the money on expiry day with reference to the relevant Final Settlement Price.

Upon exercise or assignment an open futures position will be created in the underlying contract at the strike price. Option contracts not automatically exercised against the Final Settlement Price will expire worthless.

#### **(ii)** Manual Exercise or Cancellation

On expiry day and before 17:30 hours, Clearing Members can override the automatic exercise of a coal option by using the ECS EnClear Trade GUI to perform a manual exercise or cancellation of the option contract. Upon exercise or

assignment, an open futures position will be created in the underlying contract at the strike price.

It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the option expiry deadline has dropped.
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**2E.5.1.4(d)** Exercise by the Clearing House

When exercised against, the Clearing House will select sellers against which to assign, based on their open position at the end of the last trading day.

**(i)** Notice of Assignment/Allocation

The Clearing House will use reasonable endeavours to notify the relevant seller of its allocation as soon as is possible on the day the options expire.

Notification will be sent via the MBREXR report on the MemberLive reporting site. Members must have a valid account and password to access this secure site.

## **EMISSIONS DELIVERY PROCEDURES**

### **1.14 Emissions Delivery Procedures**

#### **2E.6.1.1.1.1** General Information

##### **2E.6.1.1(a)** Additional Definitions

Additional definitions relevant to the LCH EnClear OTC Services: Energy Division are set out ~~at Section 3.3C of the Schedule to the EnClear OTC Regulations~~ in the Product Specific Contract Terms and Eligibility Criteria Manual.

##### **2E.6.1.2(b)** Delivery of Documentation to the Clearing House

Clearing Members ~~must~~ submit the required delivery documentation by email to [LCHOperations-CommoditiesDerivative.Ops.Uk@lchclearnet.com](mailto:LCHOperations-CommoditiesDerivative.Ops.Uk@lchclearnet.com) or by hand to LCH.Clearnet Limited, Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom in both cases marked “Urgent” for the attention of Operations and Client Servicing~~”~~.

##### **2E.6.1.3(c)** Authorised Signatories

Prior to making or taking any delivery, Clearing Members must submit a list of authorised signatories to the Clearing House (Appendices 2E.A). It is the Clearing Member’s responsibility to ensure that details of authorised signatories held at the Clearing House are updated as appropriate.

##### **2E.6.1.4(d)** “Buyers” and “Sellers”

Throughout these delivery procedures the term “Buyer” or “buyer” is used to refer to the buying Clearing Member and “Seller” or “seller” to the selling Clearing Member.

##### **2E.6.1.5(e)** Member Accounts

No offset is allowed for either physical delivery or financial settlement between Clearing Members’ ~~“H”, “C” or “O” and client accounts~~ Proprietary Accounts and Client Accounts (or between an Individual Segregated Account and any other Client Accounts).

##### **2E.6.1.6(f)** Clearing House Account

The Clearing House shall maintain Accounts in the Registry for the purposes of making and taking delivery under LCH EnClear OTC Contracts. Deliveries to the Clearing House must be made to the Clearing House’s Account as follows:

Account Number: EU-100-5016892-0-62

**2E.6.2.1.14.2** OTC Emissions Delivery for Forward Contracts

**2E.6.2.1(a)** Introduction

This Section **2E.6.2.1.14.2** (plus Appendices 2E.A-E) applies to deliveries under Forward EUA and CER Emissions Contracts within the OTC Emissions Service of the LCH EnClear OTC Services (Energy Division). The following terms shall have the following meanings for the purposes of the same provisions.

<b>Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to initiate Transfer Requests.
<b>Additional Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to authorise Transfer Requests.
<b>Buyer</b>	A <del>GCMLCH</del> <u>LCH EnClear OTC Clearing Member</u> who is the buyer under an LCH EnClear OTC Contract.
<b>CER</b>	A certified emissions reduction that conforms to the contract terms and eligibility criteria contained in the <del>Schedule to the LCH EnClear OTC Regulations</del> <u>Product Specific Contract Terms and Eligibility Criteria Manual</u> .
<del>GCMLCH</del> <u>LCH EnClear OTC Clearing Member</u>	<del>An</del> <u>A</u> LCH EnClear OTC Clearing Member who has entered into a clearing extension agreement with the Clearing House for the purpose of participating in the OTC Emissions Service.
<b>EUA</b>	An EU allowance that conforms to the contract terms and eligibility criteria contained in the <del>Schedule to the LCH EnClear OTC Regulations</del> <u>Product Specific Contract Terms and Eligibility Criteria Manual</u> .
<b>Forward Contract</b>	An LCH EnClear OTC Contract, being a forward EUA or CER emissions contract.
<b>Instruments</b>	EUAs or CERs, as the case may be, to be delivered in accordance with the terms of an LCH EnClear OTC Contract.
<b>OTC Emissions Service</b>	That part of the LCH EnClear OTC Services (Energy Division) which relates to OTC

	Emissions Products.
<b>PPS</b>	Protected Payment System to debit or credit payments from <del>GCMs</del> <sup>2</sup> <u>LCH EnClear OTC Clearing Members</u> ' accounts.
<b>Registry</b>	The Union registry established pursuant to the Registry Regulation.
<b>Registry Regulation</b>	As defined <del>at Section 3.3C of</del> <sup>in</sup> the <del>Schedule to the EnClear OTC Regulations</del> <u>Product Specific Contract Terms and Eligibility Criteria Manual</u> .
<b>Seller</b>	A <del>GCM</del> <u>LCH EnClear OTC Clearing Member</u> who is the seller under an LCH EnClear OTC Contract.
<b>Trading Account</b>	An Account that is a trading account.
<b>Transfer Request</b>	A request made in accordance with the Registry Regulation for the transfer of Instruments.

**2E.6.2.2(b)** Compliance Registry Regulation and other requirements

Each ~~GCM~~LCH EnClear OTC Clearing Member shall at all times comply with any applicable provisions of the Registry Regulation, any other applicable legislation and any applicable requirements, terms, conditions and procedures of the Registry in performing its obligations under LCH EnClear OTC Contracts and otherwise when participating in the OTC Emissions Service. Each ~~GCM~~LCH EnClear OTC Clearing Member shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

**2E.6.2.3(c)** Delivery Specification

**2E.6.2.3.1(i)** Delivery

Delivery under an LCH EnClear OTC Contract is effected by the transfer of Instruments in accordance with the terms of that LCH EnClear OTC Contract from the Trading Account of the Seller to the relevant Trading Account of the Clearing House and from the relevant Trading Account of the Clearing House to the Trading Account of the Buyer.

**2E.6.2.4(d)** Requirement to have a Trading Account and ~~“~~“trusted account list<sup>21</sup>”

To participate in the OTC Emissions Service, each ~~GCM~~LCH EnClear OTC Clearing Member must maintain an operational Trading Account

**Fourth Bank of England Submission**

from which it is possible to make delivery under that LCH EnClear OTC Contract into the relevant Trading Account of the Clearing House or, as the case may be, into which it is possible to take delivery under that LCH EnClear OTC Contract from the relevant Trading Account of the Clearing House. Each Clearing Member must link to the Clearing House’s designated Trading Account and maintain that link in its “trusted account list” to enable deliveries to progress in accordance with the timetable at sub-Section 2E.6.2.7.(g).

**2E.6.2.5(e)** Nature of the Instruments to be delivered

Instruments to be delivered shall meet the relevant eligibility criteria set out in the ~~Schedule to the~~ Product Specific Contract Terms and Eligibility Criteria Manual. ~~Each~~ LCH EnClear OTC ~~Regulations~~. ~~Each GCM~~ Clearing Member shall ensure that any Instruments it delivers in performing its obligations under an LCH EnClear OTC Contract within the OTC Emissions Service are free and clear of all and any encumbrances.

**2E.6.2.6(f)** Days and Times

Unless otherwise stated, references to “day” mean “business day”. All “timings” or “times of day” are London times.

**2E.6.2.7(g)** Delivery timetable for Forward Contracts

The following is the UK timetable governs the delivery of Instruments under Forward Contracts in the OTC Emissions Service. For the avoidance of doubt the timetable applies whether the Instruments to be delivered under the particular Forward Contract are EUAs or CERs.

DAY	TIME	ACTION	
Cessation of trading day (D - 1)	At 18:00  By 18:30  After 19:15	Trading ceases.  Trade confirmation only.  HIT report available.	Trading ceases.  Trade confirmation only.  HIT report available.
		Invoice and Account Sales report	Invoice and Account Sales report available.

**Fourth Bank of England Submission**

DAY	TIME	ACTION	
Delivery Day (D)	By 09:00	available.	Pays contract value to the Clearing House (via PPS) against the Instruments to be transferred to the Buyer by the Clearing House.
	By 10:00	Submit appropriate Seller's Delivery Confirmation Form.	Submit appropriate Buyer's Delivery Confirmation Form.
	By 14:30	Sellers must ensure that the necessary Transfer Requests have been effected and that the necessary Instruments have been transferred into the Trading Account of the Clearing House.	
	After 14:30	Receives contract value (via PPS) against Instruments received by the Clearing House.	On receipt from the Sellers of the Instruments into the Trading Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make Transfer Requests.
	At 14:30	Buying-in notice	Invoice amounts returned in respect of



**Fourth Bank of England Submission**

DAY	TIME	ACTION
		presented to the Late Delivery of Selling Instruments. Clearing Member in respect of Late Delivery of Instruments requiring them to transfer the necessary Instruments by 11:00 hours on the Delivery Day + 1. A failure to do so will be deemed a Failed Delivery and will prompt Buying-in.

**2E.6.2.8(h)** Delivery Procedure

Contracts will expire at 18:00 hours on the last Monday of the contract month. Where the last Monday of the contract month is not a business day, or there is a non-business day in the four days following the last Monday of the contract month, then the expiry day will be the second last Monday of the contract month. In cases where there is a non-business day in the four days following the second last Monday of the contract month, then the expiry day will be the third last Monday of the contract month.

**2E.6.2.8.1(i)** Cessation of Trading Day (D – 1)

At 18:00 hours

Trading ceases.

By 18:30 hours

**GCMs** LCH EnClear OTC Clearing Members must ensure that all settlements and transfers are performed via ECS by 18:30 hours.

N.B: Upon contract expiry the delivery positions are calculated for each product with individual long and short positions in

**Fourth Bank of England Submission**

each Settlement Account being netted for delivery to or from either the house or the client account of the Clearing Member.

The delivery position will be the number of contracts that are deliverable into or out of the Trading Account of the Clearing House.

End of day

At end of day, open contracts in the expiring contract month become open delivery contracts; **GCMs** [LCH EnClear OTC Clearing Members](#) are obliged to make or take delivery.

**2E.6.2.8.2(j)** Delivery Day (D)

By 09:00 hours

Buyers pay, via PPS, full contract value against the Instruments to be transferred to the Buyer from the Clearing House Trading Account.

By 10:00 hours

Sellers must submit the appropriate Seller's Delivery Confirmation Form to LCH.Clearnet.

Buyers must submit the appropriate Buyer's Delivery Confirmation Form to LCH.Clearnet.

By 14:30 hours

Sellers must ensure that the necessary Transfer Requests (as described in the appropriate Seller's Delivery Confirmation Form) have been made so as to allow the Instruments to be transferred from the Trading Account of the Seller to the Trading Account of the Clearing House.

After 14:30 hours

On receipt from Sellers of the Instruments into the Trading Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make the Transfer Requests (as contained in the Buyer's Delivery Confirmation Form) for the Instruments to be transferred from the Trading Account of the Clearing House to the Trading Account of the Buyer.

After 14:30 hours

Sellers are credited full contract value against the Instruments received by the Clearing House.

At 14:30 hours

Sellers that fail to deliver Instruments by this time will be issued with a Buying-in Notice Warning, requesting the delivery of Instruments by 11:00 hours on the Delivery Day (D) + 1.

Instruments received from Sellers by the Clearing House after 14:30 will be deemed a Late Delivery and will not be passed to the Buyers until D + 1 by approximately 13:00 hours. Sellers will not be paid for these Instruments until approximately 13:00 hours on D + 1. Invoice amounts will be returned to Buyers in respect of the Late Delivery of the Instruments.

**2E.6.2.8.3(i)** Delivery Day +1

By 09:00 hours

In respect of Late Deliveries, Buyers pay, via PPS, full contract value against the Instruments to be transferred to the Buyer from the Clearing House Trading Account.

At 11:00 hours

Sellers must ensure that the necessary Transfer Requests (as described in the appropriate Seller's instructions) have been made in respect of a Late Delivery so as to allow the Instruments to be transferred from the Trading Account of the Seller to the Trading Account of the Clearing House. The Clearing House must receive the Instruments into its Trading Account from the Seller.

Buying-in will be executed in respect of a failure by the Selling Clearing Member to make a Transfer Request that results in the receipt of the necessary Instruments into the Trading Account of the Clearing House.

By Approx 13:00 hours

On receipt from Sellers of the Instruments in respect of the Late Delivery into the Trading Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make the Transfer Requests (as contained in the Buyer's Delivery Confirmation Form) for the Instruments to be transferred from the Trading Account of the Clearing House to the Trading Account of the Buyers effected by the Late Delivery.

By Approx 13:00 hours

Sellers receive full contract value against the Instruments received by the Clearing House in respect of the Late Delivery.

**2E.6.2.9(k)** Failed Delivery

**2E.6.2.9.1(i)** Delivery Day +1

After 11:00 hours D+1

Where any Transfer Request in respect of an Instrument has not been made by the Seller prior to 11:00 hours on the Delivery Day + 1, such that the Clearing House is in receipt of these Instruments in its Trading Account, as required by these Procedures, the Clearing House shall declare this a Failed Delivery and will invoke Buying-in.

The Clearing House will continue to impose initial margin obligations and require Collateral from both the Buyer and the Seller until delivery of the necessary Instruments is complete under the Buying-in Process, or the position has been closed through Cash Settlement where Buying-in has been unsuccessful.

**2E.6.2.10(l)** Failure to perform Obligation under a Contract

**2E.6.2.10.1(i)** Buying-in pProcess

11:00 hours Delivery Day + 1

If the Seller fails to transfer the necessary Instruments to the Trading Account of the Clearing House by 11:00 hours on D+1 as stated on the relevant Buying-in Notice the Clearing House will instigate the Buying-in and use its reasonable endeavours to obtain the relevant Instruments by 11:00 hours on Delivery Day +2 (N.B. Delivery may take longer than this). Once the Clearing House has placed an order with its **B**uying-in agent, the Clearing House will not accept any Instruments from the failed Seller.

Timetable of Events (in UK Times)

<b>Functions</b>	<b>Timescales</b>
Buying-in proposed by the Clearing House by issuing the Warning Notice to the Seller	14:30 hours on Delivery Day
Buying-in instigated by the Clearing House	If failing selling member fails transfer allowances by 11:00 hours on the Delivery Day + 1
Close of Buying-in period	11:00 <u>hours</u> on the Delivery Day + 2

**Fourth Bank of England Submission**

Cash Settlement Occur	By 09:00 <u>hours</u> on the Delivery Day + 3 if Buying-in fails
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**2E.6.2.10.2(ii)** Cash Settlement

If the Clearing House is unable or for any reason fails to execute the Buying-in of the full amount of relevant Instruments by 11:00 hours on D+2, the Clearing House will “Cash Settle” the relevant Forward Contract/s on D+3 by 09:00 hours at a price calculated at COB on D+2 at the discretion of the Clearing House. Both the Buyer and Seller will be informed of the price at which the remaining position will be Cash Settled.

**2E.6.2.10.3(iii)** Late Delivery/Buying-in Charges

The Clearing House will charge an administration fee of €100 plus any applicable VAT for each instance of Late Delivery by the Member.

Where a Buying-in Notice is issued, the Seller concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in issuing such ~~N~~nnotice and/or carrying out the buying-in pursuant to that ~~N~~nnotice. Such costs and expenses will include any dealing and other charges incurred by the Clearing House to its buying-in agent. The Clearing House will also charge an administration fee of €200 plus any applicable VAT per Buying-~~In Notice~~in notice issued to a Seller. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and VAT through the PPS and debit the appropriate PPS account of that Seller accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

**2E.6.2.10.4(m)** Liability

~~(a)~~(i) Without prejudice to the provisions of the Forward Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:

~~(b)~~(A) If, in respect of a Forward Contract where the Clearing House is party as the Buyer, there is a Failed Delivery

**Fourth Bank of England Submission**

as a result of any failure on the part of the Seller to comply with the applicable obligations under such Contract, then the Seller shall indemnify the Clearing House in respect of any costs directly attributable to that Failed Delivery.

~~(e)~~(B) If, in respect of a Forward Contract where the Clearing House is party as the Seller, there is a Failed Delivery result of any failure on the part of the Buyer to comply with the applicable obligations under a Contract, then the Buyer shall indemnify the Clearing House in respect of any costs directly attributable to that Failed Delivery.

~~(d)~~(C) The Clearing House shall have absolute discretion in determining the costs arising pursuant to ~~(a)~~~~or~~ ~~(b)~~(A)(B). For the purposes of calculating either such costs, the relevant consequences of the Failed Delivery shall be considered in isolation from other notifications not made under a Forward Contract in respect of the Buyer's or Seller's Trading Accounts.

~~(e)~~(D) Without prejudice to ~~(a)~~(A) above, the Seller shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to comply with its obligations under a Forward Contract.

~~(f)~~(E) Without prejudice to ~~(b)~~(B) above, the Buyer shall indemnify the Clearing House against all costs and expenses incurred the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Buyer's failure to comply with its obligations under a Forward Contract.

~~(g)~~(ii) The Buyer and the Seller acknowledge that the right to be indemnified under this ~~clause~~Section 1.14.2 shall be their sole remedy in respect of any failure by any other party to comply with its obligations in respect of a Forward Contract.

**2E.6.2.11(n)** Payments

**2E.6.2.11.4(i)** Cessation of trading day + 1

After 10:30 hours

Invoices will be available as a report on Member Reporting website.

**2E.6.2.11.2(ii)** Cessation of trading day + 2

After 10:30 hours

Account sales will be available as a report on Member Reporting website.

**2E.6.2.12(o)** Invoices

**2E.6.2.12.1(i)** Invoice Calculation

The Invoice and Account Sale Report gives details of all deliveries and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Contract EUAs / CERs x official quotation on last trading day for the relevant delivery month (Final Settlement Price or "FSP")

**2E.6.2.12.2(ii)** Confirmed Deliveries

The value of EUAs and CERs is calculated as follows:

EUAs / CERs x FSP

Where,

EUAs / CERs = The number of instruments delivered

**2E.6.2.13(p)** Delivery Documentation Summary

**2E.6.2.13.1(i)** Seller's Delivery Confirmation Form

Sellers submit this form to the Clearing House. It shall include the following details:-

- ~~(a)~~ (A) The number of lots that are to be specified in each Transfer Request;
- ~~(b)~~ (B) Details of each Trading Account from which each Transfer Request will be made;
- ~~(c)~~ (C) Name and contact details of the Authorised Representative and, if relevant, Additional Authorised Representative in respect of each Trading Account specific to each Transfer Request;
- ~~(d)~~ (D) Confirmation that the member will maintain the relevant Trading Accounts listed in ~~(b)~~ (B) during the delivery period at- and is not for any reason prevented

**Fourth Bank of England Submission**

from processing Transfer Requests as required for the purposes of the relevant Forward Contract;

~~(e)~~(E) Such other details as are required by the Clearing House from time to time;

**2E.6.2.13.1.2(F)** Buyer’s Delivery Confirmation Form.

(ii) Buyers submit this form to the Clearing House. It shall include the following details:-

~~(a)~~(A) The number of lots that are to be specified in each Transfer Request;

~~(b)~~(B) Details of each Trading Account to which each transfer is to be made by the Clearing House;

~~(c)~~(C) Name and contact details of the Authorised Representative and, if relevant, Additional Authorised Representative in respect of each Trading Account specific to each Transfer Request;

~~(d)~~(D) Confirmation that the Member will maintain the relevant Trading Account or Trading Accounts ~~listed in~~ ~~(b)~~(B) during the delivery period and is not for any reason prevented from processing Transfer Requests as required for the purposes of the relevant Forward Contract;

~~(e)~~(E) Such other details as are required by the Clearing House from time to time.

Appended to these Procedures are forms for Buyers and Sellers for CERs and EUAs.

**2E.6.3.1.14.3** OTC Emissions Delivery for Spot Contracts

**2E.6.3.1(a)** Introduction

This Section 2E.6.3.1.14.3 applies to deliveries under spot contracts within the OTC Emissions Service of the LCH EnClear OTC Services (Energy Division). The following terms shall have the following meanings for the purposes of the same provisions.

<b>Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to initiate Transfer Requests.
<b>Additional Authorised Representative</b>	A natural person authorised for the purposes of the Registry Regulation to authorise Transfer Requests.



**Fourth Bank of England Submission**

<b>Buyer</b>	A <a href="#">GCMLCH EnClear OTC Clearing Member</a> who is the buyer under an LCH EnClear OTC Contract.
<b>CER</b>	A certified emissions reduction that conforms to the contract terms and eligibility criteria contained in the <a href="#">Schedule to the LCH EnClear OTC Regulations Product Specific Contract Terms and Eligibility Criteria Manual</a> .
<a href="#">GCMLCH EnClear OTC Clearing Member</a>	An LCH EnClear OTC Clearing Member who has entered into a clearing extension agreement with the Clearing House for the purpose of participating in the OTC Emissions Service.
<b>EUA</b>	An EU allowance that conforms to the contract terms and eligibility criteria contained in the <a href="#">Schedule to the LCH EnClear OTC Regulations Product Specific Contract Terms and Eligibility Criteria Manual</a> .
<b>Forward Contract</b>	An LCH EnClear OTC Contract, being a forward EUA or CER emissions contract.
<b>Instruments</b>	EUAs or CERs, as the case may be, to be delivered in accordance with the terms of an LCH EnClear OTC Contract.
<b>OTC Emissions Service</b>	That part of the LCH EnClear OTC Services (Energy Division) which relates to OTC Emissions Products.
<b>PPS</b>	Protected Payment System to debit or credit payments from <a href="#">GCMLCH EnClear OTC Clearing Members'</a> accounts.
<b>Registry</b>	The Union registry established pursuant to the Registry Regulation.
<b>Registry Regulation</b>	As defined <del>at Section 3.3C of in</del> the <a href="#">Schedule to the EnClear OTC Regulations Product Specific Contract Terms and Eligibility Criteria Manual</a> .
<b>Seller</b>	A <a href="#">GCMLCH EnClear OTC Clearing Member</a> who is the seller under an LCH EnClear OTC Contract.

**Fourth Bank of England Submission**

<b>Trading Account</b>	An Account that is a trading account.
<b>Transfer Request</b>	A request made in accordance with the Registry Regulation for the transfer of Instruments.

**2E.6.3.2(b)** Compliance with Registry Regulation and other Requirements

Each [GCMLCH EnClear OTC Clearing Member](#) shall at all times comply with any applicable provisions of the Registry Regulation, any other applicable legislation and any applicable requirements, terms, conditions and procedures of the Registry in performing its obligations under LCH EnClear OTC Contracts and otherwise when participating in the OTC Emissions Service. Each [GCMLCH EnClear OTC Clearing Member](#) shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

**2E.6.3.3(c)** Delivery Specification

**2E.6.3.3.4(i)** Delivery

Delivery under an LCH EnClear OTC Contract is effected by the transfer of Instruments in accordance with the terms of that LCH EnClear OTC Contract from the Trading Account of the Seller to the relevant Trading Account of the Clearing House and from the relevant Trading Account of the Clearing House to the Trading Account of the Buyer.

**2E.6.3.3.2(ii)** Requirement to have a Trading Account and “trusted account list”

To participate in the OTC Emissions Service, each [GCMLCH EnClear OTC Clearing Member](#) must maintain an operational Trading Account from which it is possible to make delivery under that LCH EnClear OTC Contract into the relevant Trading Account of the Clearing House or, as the case may be, into which it is possible to take delivery under that LCH EnClear OTC Contract from the relevant Trading Account of the Clearing House. Each Clearing Member must link to the Clearing House’s designated Trading Account and maintain that link in its “trusted account list” to enable deliveries to progress in accordance with the timetable at Section [2E.6.3.3.5.\(v\)](#). Each [GCMLCH EnClear OTC Clearing Member](#) shall identify that Trading Account on the Static Data Form. The Clearing [h](#)ouse will only accept the allowances from that specified Trading Account.

**Fourth Bank of England Submission**

The Clearing House will reject any delivery from an account other than the ~~GCM's~~ LCH EnClear OTC Clearing Member's Account as specified on the Static Data Form. The rejection will be an equivalent amount of instruments as the attempted delivery, but will not necessarily be the identical instruments (although they will be of the same type).

**2E.6.3.3.3(iii)** Nature of the Instruments to be delivered

Instruments to be delivered shall meet the relevant eligibility criteria set out in the ~~Schedule to the~~ Product Specific Contract Terms and Eligibility Criteria Manual. ~~Each~~ LCH EnClear OTC ~~Regulations. Each GCM~~ Clearing Member shall ensure that any Instruments it delivers in performing its obligations under an LCH EnClear OTC Contract within the OTC Emissions Service are free and clear of all and any encumbrances.

**2E.6.3.3.4(iv)** Days and Times

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

**2E.6.3.3.5(v)** Delivery Timetable for Spot Emissions Contracts

The following is the UK timetable governs the delivery of Instruments under LCH EnClear OTC Contracts in the OTC Spot Emissions Service. For the avoidance of doubt the timetable applies whether the Instruments to be delivered under the particular LCH EnClear OTC Contract are EUAs or CERs.

DAY	TIME	ACTION	
		SELLERS	BUYERS
Cessation of trading day (CTD) D-1	At 18:00	Trading ceases.	Trading ceases.
Cessation of trading day (CTD) D-1	By 18:30	Trade confirmation only.	Trade confirmation only.

**Fourth Bank of England Submission**

DAY	TIME	ACTION	
		SELLERS	BUYERS
Cessation of trading day (D-1)	After 19:15	HIT report available.	HIT report available.
Delivery Day (D)	By 09:00	Invoice and Account Sales report available.	Invoice and Account Sales report available.
	At 11:00	Sellers must ensure that the necessary Transfer Requests have been effected and that the necessary Instruments have been transferred into the Trading Account of the Clearing House. Any Instruments received after this time will be deemed a Late Delivery.	Pays contract value to the Clearing House via PPS for the Instruments to be transferred to the Buyer by the Clearing House.

**Fourth Bank of England Submission**

DAY	TIME	ACTION	
		SELLERS	BUYERS
	By 13:00	Approx	<p>Receives contract value (via PPS) for Instruments received by the Clearing House.</p> <p>On receipt from the Sellers of the Instruments into the Trading Account of the Clearing House, the Clearing House will randomly select the order in which it will make Transfer Requests.</p> <p>Buyer receives Instruments into its Trading Account.</p>
Delivery Day (D)	By 14:30		<p>Buying-in notice presented to the Selling Clearing Member in respect of Late Delivery of Instruments requiring them to transfer the necessary Instruments by 11:00 hours on the Delivery Day +1. A failure to do so will be deemed a Failed</p> <p>Invoice amounts returned in respect of the Late Delivery of Instruments.</p>

**Fourth Bank of England Submission**

DAY	TIME	ACTION	
		SELLERS	BUYERS
		Delivery and will prompt Buying-in.	

**2E.6.3.4(d)** Delivery Procedures

Cessation of Trading Day

At 18:00 hours on each business day

Trading ceases.

By 18:30 hours

The window will remain open until 18:30 for the members to complete the confirmation of any outstanding trades in ClearWay.

End of day

At end of day, open contracts on each expiry day will become open delivery positions; **GCMs** [LCH EnClear OTC Clearing Members](#) are obliged to make or take delivery.

**2E.6.3.4.1(i)** Delivery Day D

By 09:00 hours

Buyers pay full contract value against the Instruments to be transferred to the Buyer from the Clearing House Trading Account via PPS payment method.

At 11:00 hours

Sellers must have ensured that the necessary Transfer Requests (as described in the appropriate Seller's instructions) have been made so as to allow the Instruments to be transferred from the Trading Account of the Seller to the Trading Account of the Clearing House. The Clearing House must receive the Instruments into its Trading Account from the Seller.

Instruments received from Sellers by the Clearing House after this time will be deemed a Late Delivery and will incur an administration charge in accordance with these Procedures.

By Approx 13:00 hours

On receipt from Sellers of the Instruments into the Trading Account of the Clearing House, the Clearing House will randomly select the order in which it will make the Transfer Requests (as contained in the Buyer's ~~D~~delivery instruction) for the Instruments from the Trading Account of the Clearing House to the Trading Account of the Buyer.

By Approx 13:00 hours

Sellers receive full contract value against the Instruments received by the Clearing House.

At 14:30 hours

Sellers that fail to deliver Instruments by this time will be issued with a Buying-in Notice requesting the delivery of Instruments by 11:00 hours on the delivery day D+1.

Instruments received from Sellers by the Clearing House after 14:30 will be deemed a Late Delivery and will not be passed to the Buyers until D+1 by approx 13:00– hours. Sellers will not be paid for these instruments until approx 13:00 hours on D+1. Invoice amounts will be returned to the buyers in respect of the Late Delivery of the Instruments.

**2E.6.3.5(e)** Delivery Day + 1

At 11:00 hours

Sellers must ensure that the necessary Transfer Requests (as described in the appropriate Seller's instructions) have been made in respect of Late Delivery so as to allow the Instruments to be transferred from the Trading Account of the Seller to the Trading Account of the Clearing House. The Clearing House must receive the Instruments into its Trading Account from the Seller.

Buying-in will be executed in respect of a failure by the Selling Clearing Member to make a Transfer Request that results in the receipt of the necessary Instruments into the Trading Account of the Clearing House.

By Approx 13:00 hours

On receipt from Sellers of the Instruments in respect of Late Delivery into the Trading Account of the Clearing House, the Clearing House will randomly select the order in which the Clearing House will make the Transfer Requests (as contained in the Buyer's ~~D~~delivery instruction) for the Instruments to be transferred from the Trading Account of the Clearing House to the Trading Account of the Buyers effected by the Late Delivery.

By Approx 13:00 hours

Sellers receive full contract value against the Instruments received by the Clearing House in respect of the Late Delivery.

**2E.6.3.6(f)** Failed Delivery

**2E.6.3.6.1(i)** Delivery Day + 1

After 11:00 hours D+1

Where any Transfer Request in respect of an Instrument has not been made by the Selling Member prior to 11:00 on the Delivery Day + 1, such that the Clearing House is in receipt of these Instruments in its Trading Account, as required by these Procedures, the Clearing House shall declare this a Failed Delivery and will invoke Buying-in.

The Clearing House will continue to impose initial margin obligations ~~on~~ and require Collateral from both ~~the~~ Buying Member and ~~the~~ Selling Member until delivery of the necessary Instruments is complete under the Buying-in Procedures, or the position has been closed through Cash Settlement where Buying-in has been unsuccessful.

Failure to Perform Obligations under a Contract

Without prejudice to the provisions of the Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:

~~(a)~~ (A) If, in respect of a Contract where the Clearing House is party as the Buyer, there is a Transfer Request Failure as a result of any failure on the part of the Seller to comply with the applicable obligations under such Contract, then the Seller shall indemnify the Clearing House in respect of any Delivery Costs directly attributable to that Transfer Request Failure.

~~(b)~~ (B) If, in respect of a Contract where the Clearing House is party as the Seller, there is a Transfer Request Failure as a result of any failure on the part of the Buyer to comply with the applicable obligations under a Contract, then the Buyer shall indemnify the Clearing House in respect of any Delivery Costs directly attributable to that Transfer Request Failure.

~~(c)~~ (C) The Clearing House shall have absolute discretion in determining the Delivery Costs arising Pursuant to ~~(a)~~ or (b) ~~(A) or (B)~~. For the purposes of calculating either



**Fourth Bank of England Submission**

such Delivery Costs, the relevant consequences of the Transfer Request Failure shall be considered in isolation from other notifications not made under a Contract in respect of the Buyer's or Seller's Trading Accounts.

~~(d)~~(D) Without prejudice to ~~(a)~~(A) above, the Seller shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to comply with its obligations under a Contract.

~~(e)~~(E) Without prejudice to ~~(b)~~(B) above, the Buyer shall indemnify the Clearing House against all costs and expenses incurred the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Buyer's failure to comply with its obligations under a Contract.

**2E.6.3.6.2(ii)** The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

**2E.6.3.7(g)** ~~Buying-In~~in

**2E.6.3.7.1(i)** Buying-in notice

After 14:30 hours on the Delivery Day the Clearing House will issue a notice (a "~~Buying-in Notice~~") to the Selling Member who has failed to deliver informing it that ~~b~~Buying-in will be instigated by 11:00 hours on the day following the Delivery Day (D+1) if the Selling Member does not transfer the necessary Instruments to the Trading Account of the Clearing House prior to this time.

**2E.6.3.8(h)** Buying-in Process

11:00 hours Delivery Day + 1

If the Selling Clearing member fails to transfer the necessary Instruments to the Trading Account of the Clearing House by 11:00 hours on D+1 as stated on the relevant Buying-in Notice the Clearing House will execute Buying-in and use its reasonable endeavours to obtain the relevant Instruments by 11:00 hours on Delivery Day +2. Once the Clearing House has placed an order with its Buying-in agent, the Clearing House will not accept any Instruments from the failed Selling Clearing ~~m~~Member.

If the Clearing House is unable or for any reason fails to buy-in the full amount of relevant Instruments by 11:00 hours on D+2, the Clearing

**Fourth Bank of England Submission**

House will “Cash Settle” the relevant Spot Emissions Contract/s pursuant to Section 2E.6.3.9(i).

Timetable of Events (in UK Times)

<b>Functions</b>	<b>Timescales</b>
Buying <del>In-in</del> initiated by the Clearing House by issuing the notice to the Selling Clearing Member	14:30 hours on Delivery Day
Buying <del>In-in</del> executed by the Clearing House	If <del>failing</del> <del>member</del> <del>Selling Member</del> fails transfer allowances by 11:00 hours on the Delivery Day + 1,
Close of Buying-in period	11:00 <u>hours</u> on the Delivery Day + 2
Cash Settlement Occurs	By 09:00 <u>hours</u> on the Delivery Day + 3 if buying in fails

**2E.6.3.9(i)** Cash Settlement

In the event that ~~b~~Buying-in cannot be achieved as described in 2E.6.3.7(g) then the Clearing House will ~~cash-settle~~ Cash Settle on D+3 by 09:00 hours any outstanding positions at a price calculated at COB on D+2, at the discretion of the Clearing House. Both the Buying and Selling Member will be informed of the time at which the remaining position will be Cash Settled.

**2E.6.3.10(j)** Payment

**2E.6.3.10.1(i)** Cessation of Trading D-1

After 19:15 hours

Invoices and account sales will be available as a report on Member Reporting website.

**2E.6.3.11(k)** Settlement Day D

By 09:00 hours

The Buyers will be debited the full contract value via PPS.

By Approx 13:00 hours

The Sellers will receive full contract value against the Instruments received by the Clearing House.

**2E.6.3.12(l)** Late Delivery/Buying-In Charges

The Clearing House will charge an administration fee of €100 plus any applicable VAT for each instance of Late Delivery by the Member.

Where a Buying-in **N**notice is issued, the Selling Member concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in issuing such **N**notice and/or carrying out the **B**Buying-in pursuant to that **N**notice. Such costs and expenses will include any dealing and other charges incurred by the Clearing House to its buying-in agent. The Clearing House will also charge an administration fee of €200 plus any applicable VAT for per Buying-~~In~~ **Notice** in notice issued to a Selling Member. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and VAT through the PPS and debit the appropriate PPS account of that Selling Member accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

**2E.6.3.13(m)** Invoice

Invoice Calculation

The Invoice and Account Sale Report gives details of all deliveries and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Contract EUAs / CERs	x	official quotation on trading day for the relevant Instrument (Final Settlement Price or FSP)
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Value Added Tax will account for on the Invoice and Account Sale Report. VAT amounts due from the Buyer and due to the Seller will be included with contract payments via the PPS.

**PRECIOUS METALS: DELIVERY PROCEDURES**

**1.15 Precious Metals: Delivery Procedures**

**2E.7.1.1.15.1** General Information

**2E.7.1.1(a)** Delivery

The following terms shall have the following meanings in this ~~s~~Section:

Unallocated Account	An account held with one of the members of the LPMCL for the purposes of holding Unallocated Precious Metal.
Settlement Agent	One of the six commercial bank members of the LPMCL.
LPMCL	London Precious Metals Clearing Limited
Transfer Request	An instruction from a <del>GCM's</del> <u>LCH EnClear OTC Clearing Member's</u> Settlement Agent in AURUM to make or take delivery of Unallocated Precious Metal

Delivery is ~~a~~effected by transferring Precious Metal— between members' Unallocated Accounts held with one of the Settlement Agents who are members of the LPMCL.

**2E.7.1.2(b)** Settlement Agent and Unallocated Account details

Clearing Members must ensure they have an Unallocated Account with a Settlement Agent member of the LPMCL. It is the Clearing Member's responsibility to ensure that the Clearing House holds accurate up to date details of their Unallocated Account via submission of updated Static Data ~~f~~Forms.

Clearing Members must submit their transfer instructions to their Settlement Agents, to be matched with the Clearing House, no later than 16:00 hours on the day of settlement.

The Clearing House Unallocated Account is managed by its settlement ~~B~~bank Barclays Bank PLC. For matching with the Clearing House the following are its Unallocated Account and ~~S~~settlement bank details:

Barclays Bank plc (SWIFT BARCGB22PMD)

a/c LCH.Clearnet Ltd, London

a/c 20193

**2E.7.2.1.15.2** Precious Metal -Forwards Delivery

**2E.7.2.1(a)** Compliance with LPMCL and other Requirements

Each ~~GCM~~LCH EnClear OTC Clearing Member shall at all times comply with any applicable provisions of the LPMCL, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant Settlement Agent in performing its obligations under LCH EnClear OTC Contracts and otherwise when participating in the OTC Precious Metals Service. Each ~~GCM~~LCH EnClear OTC Clearing Member shall additionally obtain and at all times adequately maintain such systems and technology as may be necessary in order to comply with such provisions.

**2E.7.2.2(b)** Delivery Specification

**2E.7.2.2.1(i)** Nature of the Precious Metal -delivery

The eligibility criteria for the Precious Metal Contract are set out in the ~~Schedule to the~~Product Specific Contract Terms and Eligibility Criteria Manual. Each LCH EnClear OTC ~~Regulations. Each GCM~~Clearing Member shall ensure that all Unallocated Precious Metal it delivers in performing its obligations under a Precious Metal Contract is free and clear of all and any encumbrances.

**2E.7.2.2.2(ii)** Unallocated Accounts

The Clearing House shall maintain an Unallocated Account with its Settlement Agent for the purposes of making and taking delivery of Precious Metal Contracts. The account is held on the terms stipulated by the LPMCL on its website at:

<http://www.lpmcl.com/Final%20Unallocated%20Agreement%2020061005.pdf>

<http://www.lpmcl.com/Final%20Unallocated%20Agreement%2020061005.pdf>

Each ~~GCM~~LCH EnClear OTC Clearing Member approved to clear trades in the Precious Metals Division shall maintain an Unallocated Account from which it is possible to make or take delivery into or from the relevant Unallocated Account of the Clearing House. Each ~~GCM~~LCH EnClear OTC Clearing Member shall identify its Unallocated Account on the Static Data Form. The Clearing House will only accept or deliver the Unallocated Precious Metal —from or to that specified Unallocated Account. (i.e. The Clearing House will reject any delivery from an account other than the ~~GCM's~~LCH EnClear

**Fourth Bank of England Submission**

OTC Clearing Member's Unallocated Account as specified on the Static Data Form-).

**2E.7.2.2.3(iii)** Delivery

Delivery under a Precious Metal Contract is effected by the transfer of Unallocated Precious Metal in accordance with the terms of that contract from the Unallocated Account of the Seller to the relevant Unallocated Account of the Clearing House and from the relevant Unallocated Account of the Clearing House to the Unallocated Account of the Buyer.

It should be noted that, in accordance with the terms stipulated by the LPMCL, referred to above at 2E.7.2.2.2,1.15.2(a), the Settlement Agent acting for the Clearing House has reserved the power to reverse provisional- or erroneous entries credited to the account of the Clearing House. In such event, the Clearing House reserves the right to reverse or adjust any payments made in respect of such entries and to give such directions as it considers appropriate to the Clearing Members who are party to the corresponding -Precious Metal Contracts in order that settlement and delivery may be achieved at the earliest opportunity.

**2E.7.2.2.4(iv)** Days and Times

Unless otherwise stated, references to "day" mean "business day". All "timings" or "times of day" are London times.

**2E.7.2.2.5(v)** Delivery Timetable for Precious Metal

The following is the timetable governing the delivery of Unallocated Gold and Silver pursuant to Precious Metal Contracts.

DAY	TIME	ACTION	
		SELLERS	BUYERS
D-1	At 15:00	Trade acceptance ceases for next valid <del>value</del> <u>date</u> <u>Value Date</u> .	Trading ceases for next valid <del>value</del> <u>date</u> <u>Value Date</u> .
	After 16:15	Delivery instructions sent for matching with LCH.Clearnet Settlement Agent.	Delivery instructions sent for matching with LCH.Clearnet Settlement Agent.
		Invoice & Account	Invoice & Account

**Fourth Bank of England Submission**

DAY	TIME	ACTION	
		SELLERS	BUYERS
Value Date (D)	After 20:00	Sales Synapse screens will reflect delivery amounts.	Sales Synapse screens will reflect delivery amounts.
		Member Synapse reports will be made available to confirm the delivery.	Member Synapse reports will be made available to confirm the delivery.
	By 09:00		Pay contract value to the Clearing House via USD PPS.  The Clearing House will authorise Precious Metal transfers to buyers Unallocated Accounts on receipt of payments.  Buyers must ensure that the necessary Transfer Request has been effected to receive Precious Metal into their Unallocated Account from that of the Clearing House.
	By 16:00	Sellers must ensure that the necessary Transfer Request has been effected and that the necessary Precious Metal has been delivered into the Unallocated Account of the Clearing House.  Once transfers have been matched with the Clearing House	

**Fourth Bank of England Submission**

DAY	TIME	ACTION	
		SELLERS	BUYERS
		and delivery has been confirmed the Clearing House will authorise payments to the Seller via their UK USD PPS account. If delivery to the Clearing House occurs after 15:30, sellers will be paid via their US USD PPS accounts.	
	After 16:00	Any unresolved transfer instructions after this time will be a delivery transfer request failure.	

**2E.7.2.4(c)** Delivery Procedures

Determination of Delivery Positions

At 16:00 hours on the day before Value Day open sold and bought lots are netted. The result will be an uncovered sold or bought position for the settlement day. This is the delivery position.

**2E.7.2.4.1(i)** Value Date (D)

By 09:00 hours

Buyers pay full contract value via PPS payment method.

Transfer Requests have been made to receive Precious Metal into their Unallocated Account from the Unallocated Account of the Clearing House.

LCH.Cleernet Operations and Client Servicing will authorise transfers of Precious Metal Contracts from the Clearing House Unallocated Account to Buyers upon receipt of payment from the Buyers.



**Fourth Bank of England Submission**

LCH.Cleernet Operations and Client Servicing will authorise all **F** transfers to Sellers by 09:30 hours in readiness to be matched by Seller.

As soon as possible by no later than 16:00 hours Sellers must have ensured that the necessary Transfer Requests have been made so as to allow Precious Metal to be transferred from their Unallocated Account to that of the Clearing House. The Clearing House must receive the Precious Metal into its account before payment will be made to the Seller.

Precious Metal received from Sellers by the Clearing House after this time will be deemed a Late Delivery and may incur administration charges in accordance with these Procedures.

Once delivery has been made into the account of the Clearing House, the Clearing House will authorise payments to the relevant Seller via UK PPS. If confirmation of delivery into the account of the Clearing House occurs after 15:30 hours, the relevant Seller will be paid via its US PPS accounts.

**2E.7.2.4.2(ii)** Payment

Buyers must pay the Clearing House by 09:00 hours on the value date via PPS.

Sellers will be paid by the Clearing House on receipt of Precious Metal on the value date.

**2E.7.2.5(d)** Invoice

Invoice Calculation

The Invoice and Account Sale Report gives details of all delivery transfers and amounts due to Sellers and payable by the Buyers. These amounts are calculated as follows:

Lots	X	Fine troy ounces	X	quotation on trading day for the
		of gold/silver		relevant gold/silver contract
				delivery settlement price

**2E.7.3.1.15.3** Delivery Failure

It is the responsibility of the **GCMLCH EnClear OTC Clearing Member** to ensure that any Precious Metal Contract settles on the intended **value date** Value Date.

Sellers/buyers must ensure that the necessary Transfer Requests are made so as to allow Unallocated Precious Metal to be transferred between their account and that of the Clearing House.

**Fourth Bank of England Submission**

The Clearing House must receive the Precious Metal into its Unallocated Account from the Seller before any payments are made to the Seller.

Without prejudice to the provisions of the Contract, the Procedures and any other steps or sanctions which may be taken or applied under the General Regulations, Default Rules and Procedures:

(a) ~~(a)~~—if there is a Delivery Failure as a result of any failure on the part of the Seller/Buyer to comply with the applicable obligations under such Contract, then that party shall indemnify the Clearing House in respect of any costs directly attributable to that Delivery Failure;

(b) ~~(b)~~—the Clearing House shall have absolute discretion in determining the costs arising Pursuant to ~~(a)~~; (a);

(c) ~~(c)~~—without prejudice to ~~(a)~~(a) above, the Seller/Buyer shall indemnify the Clearing House against all costs and expenses incurred by the Clearing House in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's/Buyer's failure to comply with its obligations under a Contract;

(d) ~~(d)~~—in the event of a further delivery failure subsequently taking place and a further cost being incurred by the Clearing House, the Selling/Buying Member will be liable to reimburse the Clearing House for all costs incurred-;

(e) ~~(e)~~—the Clearing House is entitled to collect such costs through the PPS and debit the appropriate PPS account of that Selling/Buying Member accordingly.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

In the event of a failure on the part of the Seller to deliver, the Clearing House will continue to impose initial margin obligations ~~on~~ and require Collateral from the Selling Member until settlement of the Precious Metal contract is complete or the position has been closed out by the Clearing House.

If any GCM~~LCH~~ EnClear OTC Clearing Member is unable to fulfil their delivery obligation they must inform the Clearing House immediately.

**2E.7.3.1(f)** Delivery Failure on Value Date (D)

In the case of a failure to deliver by the time specified under ~~section 2E 6.2.4.1, Section 1.15.2(b)(v),~~ the Clearing House will declare a Delivery Failure.

The declaration will be in the form of a Closeout Notification being sent out to the GCM~~LCH~~ EnClear OTC Clearing Member on ~~value date~~Value Date (D).

**Fourth Bank of England Submission**

The Clearing House may, at its absolute discretion, take such steps as it deems appropriate to facilitate a mutually acceptable resolution of the Delivery Failure at any stage.

Upon the declaration of a Delivery Failure the Clearing House will organise a back to back trade to cover the position, by instructing its Settlement Agent to execute a swap trade to cover any overnight exposure caused by the Seller's failure to deliver. The swap will comprise of two trades: a purchase by the Clearing House for the value date of the amount that the Seller failed to deliver; a sale by the Clearing House for the next value date of the same amount.

The Seller will be required to pay to the Clearing House the full contractual amount of the purchase side of the swap trade on the ~~value date~~Value Date (D) of the failure. The Clearing House will pay to the Seller the full contractual amount of the sell side on the next value date (minus administration costs, charges and any penalties) by 09:~~30hrs~~30 hours. All amounts will be processed via PPS Calls/Pays to the Seller's PPS account.

The Clearing House will cancel its Delivery Transfer Request instruction to its Settlement Agent in respect of the failed delivery for that ~~value date~~Value Date (D) and will instruct a Delivery Transfer Request against the ~~GCM~~LCH EnClear OTC Clearing Member for the next value date (D+1). Despite the swap trade, the ~~GCM~~LCH EnClear OTC Clearing Member remains responsible to deliver on the next ~~value date~~Value Date (D+1) and must ensure delivery no later than 14:00 hours on that day.

**2E.7.3.2(g)** Delivery Transfer Request Failure on the day after Value Date (D+1)

~~The GCM~~The LCH EnClear OTC Clearing Member will remain obliged to fulfil the original delivery on D and must match with the new Delivery Transfer Request of the Clearing House by 14:~~00hours~~00 hours on D+1.

If the delivery remains unsettled by such time, the Clearing House will purchase the contract amount of the Precious Metal on behalf of the Seller in accordance with the terms of the Closeout Notification which was sent to the Seller on value date.

The Clearing House will instruct its Settlement Agent to purchase the full contract amount of the Precious Metal on behalf of the Clearing House to close out the outstanding failed delivery, for delivery on the same day.

Once the Clearing House has placed an order with its Settlement Agent, the Clearing House will not accept any Precious Metal delivery from the failing ~~GCM~~LCH EnClear OTC Clearing Member. The Clearing House will use its reasonable endeavours to execute the

relevant contract by close of business on the day after the original delivery failure (D+1).

Where a the Clearing House purchases Precious Metal pursuant to a Closeout Notification, the Seller will indemnify the Clearing House against all costs and expenses incurred in taking steps to mitigate the losses, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's failure to deliver under a Contract and those attributed to the purchase following the Closeout Notification.

The Clearing House will also charge an administration fee of \$200 plus any applicable VAT for any Closeout Notification issued to a ~~GEM~~LCH EnClear OTC Clearing Member. This fee will be charged to the ~~GEM~~LCH EnClear OTC Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House will debit the appropriate PPS account of that Selling Member accordingly.

The Clearing House will continue to impose initial margin obligations ~~on~~and require Collateral from the Seller until the position has been closed out fully.

The Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits.

## 1.16 Appendices LCH EnClear OTC Client Clearing Services

### 1.16.1 LCH EnClear OTC Client Clearing – Ancillary Documentation

#### (a) Security Deed

Unless specified otherwise by the Clearing House, a LCH EnClear OTC 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

Pursuant to the Clearing House's General Regulations, each LCH EnClear OTC Clearing Member is required to ensure that it includes certain language in its agreement with its LCH EnClear OTC Clearing Client (the "Clearing House Prescribed Language"). The Clearing House Prescribed Language is shown at Schedule 2 to Procedure 4 of the Clearing House Procedures.

LCH EnClear OTC Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[●]<sup>7</sup>

### 1.16.2 Backup Clearing Members

An LCH EnClear OTC Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the LCH EnClear OTC Contracts entered into by an LCH EnClear OTC Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of an LCH EnClear OTC Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of an LCH EnClear OTC Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by an LCH EnClear OTC Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that LCH EnClear OTC Contracts will always be transferred to that Backup Clearing Member. Porting of LCH EnClear OTC Contracts, following an LCH EnClear OTC Clearing Member's Default

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7 To insert web address upon the relevant website link going live

is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.17 Indirect Clearing

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

- (a) in circumstances where (i) the LCH EnClear OTC 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 LCH EnClear OTC 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 LCH EnClear OTC 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**"); or
- (b) transfer the relevant Related LCH EnClear OTC Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant LCH EnClear OTC Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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 LCH EnClear OTC 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 LCH EnClear OTC Contracts to the LCH EnClear OTC Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.17.2 Each of the steps referred to in paragraphs 1.17.1 (a) and (b) 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 LCH EnClear OTC Clearing Member to the relevant LCH EnClear OTC Clearing Client or from the relevant LCH EnClear OTC Clearing Client to the relevant LCH

**Fourth Bank of England Submission**

EnClear OTC 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 LCH EnClear OTC Clearing Member on the relevant LCH EnClear OTC Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that LCH EnClear OTC Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related LCH EnClear OTC 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 LCH EnClear OTC Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant LCH EnClear OTC Clearing Client, the Clearing House will usually arrange a transfer of Related LCH EnClear OTC Contracts in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.17 a "Related LCH EnClear OTC Contract" means, in respect of a transaction between an LCH EnClear OTC Clearing Member and an LCH EnClear OTC Clearing Client which has been terminated on an early termination date, the open position represented by the LCH EnClear OTC Contract entered into with the Clearing House by such LCH EnClear OTC Clearing Member on behalf of the relevant LCH EnClear OTC Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.17.2 the LCH EnClear OTC Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**Schedule 2E.A**

**Emissions deliveries**

**LCH EnClear Delivery Documentation**

**LCH EnClear DELIVERY DOCUMENTATION  
AUTHORISED SIGNATORIES**

**Name of Clearing Member:**

\_\_\_\_\_

**Member Address:**

\_\_\_\_\_

**Company Stamp**

**Corporate  
Number:**

**Registration**

\_\_\_\_\_

**Date:**

\_\_\_\_\_

**Name**

**Specimen Signature**

**Position in Company**

Name	Specimen Signature	Position in Company
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

The person(s) listed above is/are authorised to sign such delivery documentation on our behalf

(Director) for and on behalf of

.....

.....

Company Name

.....

LCH.Clearnet Limited must be informed immediately of any amendments/changes to the information specified in this form; failure to do so may result in delivery documents/notifications being rejected.

[Other terms used in this Section 2E shall have the same meaning as set out in the Rulebook.](#)



**Appendices Schedule 2E.B**

**Seller's EUA Forward Contracts Delivery Confirmation Form**

To: LCH.Clearnet Limited  
Aldgate House  
33 Aldgate High Street  
London EC3N1EA  
Email LCHOperations-Commodities@lchclearnet.com



**Seller's OTC EUA Forward Contracts Delivery Confirmation Form**

Member:

Delivery Month:  | Date

Lots	<del>Margin</del> <u>Collateral</u> Account	Trading Account	Authorised Representative	Additional Authorised Representative	Email	Telephone
------	---	--------------------	------------------------------	--	-------	-----------

From: \_\_\_\_\_ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Trading Accounts listed on this form during the Delivery Period and will ensure that we are not prevented from having those Trading Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

~~for~~For \_\_\_\_\_ (member - authorised signatory)

**Must be completed on all occasions**

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact \_\_\_\_\_ Tel No \_\_\_\_\_  
2nd Contact \_\_\_\_\_ Tel No \_\_\_\_\_

**Appendices Schedule 2E.C**

**Seller’s CER Forward Contracts Delivery Confirmation Form**

To: LCH.Clearnet Limited  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N1EA



Email ~~LCHOperations-Commodities@lchclearnet.com~~ [LCHOperations-Commodities@lchclearnet.com](mailto:LCHOperations-Commodities@lchclearnet.com)

**Seller’s OTC CER Forward Contracts Delivery Confirmation Form**

Member:

Delivery Month:  | Date

Lots	<del>Margin</del> Collateral Account	Trading Account	Authorised Representative	Additional Authorised Representative	Email	Telephone

From: \_\_\_\_\_ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Trading Accounts listed on this form during the Delivery Period and will ensure that we are not prevented from having those Trading Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

~~for~~For \_\_\_\_\_ (member - authorised signatory)

**Must be completed on all occasions**

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact	Tel	
	No	
-----		
2nd Contact	Tel	
	No	
-----		

**Appendices Schedule 2E.D**

**BUYER'S**

**Buyer's EUA Forward Contracts Delivery Confirmation Form**

To: LCH.Clearnet Limited  
 Aldgate House  
 33 Aldgate High Street  
 London EC3N1EA



Email: LCHOperations-Commodities@lchclearnet.com

**Buyer's OTC EUA Forward Contracts Delivery Confirmation Form**

Member:

Delivery Month:  | Date

Lots	<del>Margin</del> <u>Collateral</u> Account	Trading Account	Authorised Representative	Additional Authorised Representative	Email	Telephone

From: ..... (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Trading Accounts listed on this form during the Delivery Period and will ensure that we are not prevented from having those Trading Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

~~for~~ For ..... (member - authorised signatory)

**Must be completed on all occasions**

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact	Tel	
	No	
2nd Contact	Tel	.....
	No	.....

## Appendices

Schedule 2E.E

**BUYER'S**

**Buyer's CER Forward Contracts Delivery Confirmation Form**

To: LCH.Clearnet Limited  
Aldgate House  
33 Aldgate High Street  
London EC3N1EA



Email LCHOperations-Commodities@lchclearnet.com

**Buyer's OTC CER Forward Contracts Delivery Confirmation Form**

Member:

Delivery Month:  | Date

Lots	<u>Margin Collateral</u> Account	Trading Account	Authorised Representative	Additional Authorised Representative	Email	Telephone
------	-------------------------------------	--------------------	------------------------------	--	-------	-----------

From: \_\_\_\_\_ (member)

We confirm that, as the above mentioned Clearing Member of LCH.Clearnet Ltd, we will continue to have the relevant Trading Accounts during the Delivery Period listed on this form and will ensure that we are not prevented from having those Trading Accounts updated pursuant to Transfer Requests, in accordance with the General Regulations of the Clearing House.

for \_\_\_\_\_ (member - authorised signatory)

**Must be completed on all occasions**

The following members of staff may be contacted, out of office hours, in the event of delivery problems

1st Contact \_\_\_\_\_ Tel \_\_\_\_\_  
No \_\_\_\_\_  
2nd Contact \_\_\_\_\_ Tel \_\_\_\_\_  
No \_\_\_\_\_

**SECTION 2F**

**CONTENTS**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2F**

**TURQUOISE DERIVATIVES CLEARING SERVICE**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>2F. – Turquoise DERIVATIVES .....</del>	<del>2</del>
<del>2F.1 – Introduction .....</del>	<del>2</del>
<del>2F.2 – GENERAL INFORMATION .....</del>	<del>4</del>
<del>2F.3 – REGISTRATION .....</del>	<del>6</del>
<del>2F.4 – POSITION AND FINANCIAL ACCOUNTS .....</del>	<del>7</del>
<del>2F.5 – MARGINING .....</del>	<del>8</del>
<del>2F.6 – INSOLVENCY AND DEFAULT .....</del>	<del>9</del>
<del>2F.7 – OPTION EXERCISE AND EXPIRY .....</del>	<del>13</del>
<del>2F.8 – SETTLEMENT .....</del>	<del>14</del>
<del>2F.9 – POSITION TRANSFERS .....</del>	<del>15</del>
<del>2F.10 – SUSPENSION OF THE SERVICE .....</del>	<del>15</del>
<del>2F.11 – DELIVERY PROCEDURES .....</del>	<del>15</del>
<u>1. Turquoise Derivatives Clearing Service.....</u>	<u>1</u>
<u>1.1 Introduction .....</u>	<u>1</u>
<u>1.2 General Information .....</u>	<u>4</u>
<u>1.3 Registration .....</u>	<u>6</u>
<u>1.4 Proprietary Accounts and Client Accounts .....</u>	<u>6</u>
<u>1.5 Position and Collateral Accounts .....</u>	<u>7</u>
<u>1.6 Margin and Collateral.....</u>	<u>8</u>
<u>1.7 Insolvency and Default.....</u>	<u>10</u>
<u>1.8 Option Exercise and Expiry .....</u>	<u>10</u>
<u>1.9 Settlement.....</u>	<u>12</u>
<u>1.10 Position Transfers.....</u>	<u>13</u>
<u>1.11 Suspension of the Service.....</u>	<u>13</u>
<u>1.12 Delivery Procedures .....</u>	<u>13</u>
<u>1.13 Turquoise Derivatives Client Clearing.....</u>	<u>13</u>
<u>1.14 Indirect Clearing.....</u>	<u>14</u>

## 2F.1. TURQUOISE ~~DERIVATIVES~~ DERIVATIVES CLEARING SERVICE

### 2F.1.1 Introduction

1.1.1 These Procedures form part of the Regulations (the General Regulations, Default Rules and Procedures of the Clearing House) and must be read in conjunction with the other parts of the Regulations. Clearing Members must inform themselves fully of their obligations under the Regulations and under other relevant documentation, such as the Clearing Membership Agreement, and the terms of any approval by the Clearing House to extend clearing activities, ~~and any applicable Turquoise Derivatives NCM-GCM Agreement.~~

Clearing Members should also be familiar with the Turquoise Derivatives Regulations and the rules and procedures of the Approved Turquoise Derivatives Settlement Provider ("ASP") through which settlement is effected. Such documents are subject to change. Clearing Members should note that:

~~(i)~~(a) where any benefit or thing arises as a result of a ~~Corporate Event~~ (see ~~paragraph 2F.14~~) corporate event these Procedures apply to such benefit or thing whether or not the benefit or thing so arising consists of any Turquoise ~~D~~derivatives securities; and

~~(ii)~~(b) in the event of any conflict between any provision of these Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any market or other rules or other documentation of ~~Turquoise Global Holdings Limited ("TGHL")~~, any Co-operating Clearing House, Co-operating Exchange ~~Linked~~<sup>1</sup> or any ~~ASP-Turquoise Derivatives~~), these Procedures shall prevail.

Subject to Regulation ~~39-52~~(e) (Exclusion of Liability) the Clearing House shall not be liable for any loss or damage of any kind whatsoever suffered by a Clearing Member, ~~NCM-TGHL~~ or anyone else arising out of or connected with:

~~(iii)~~(c) any inconsistency or conflict between any provision in the General Regulations, Default Rules and Procedures of the Clearing House or other Clearing House documentation, and the rules and other documentation of TGHL [or any Co-operating Clearing House, Co-operating Exchange<sup>2</sup> or any ~~ASP-Turquoise Derivatives~~;

~~(iv)~~(d) any statement contained within the rules and other documentation of TGHL [or any Co-operating Clearing House, Co-operating Exchange<sup>3</sup> or any ~~ASP-Turquoise Derivatives~~.

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<sup>1</sup> To delete if Oslo Interoperability Agreement is not approved.

<sup>2</sup> To delete if Oslo Interoperability Agreement is not approved.

<sup>3</sup> To delete if Oslo Interoperability Agreement is not approved.



Where applicable any references to the exchange name will be known as TGHL or Turquoise; and where applicable any references to the exchange code will be known as ED2.

### 2F.1.2 1.1.2 Definitions

For the sake of simplicity, the term "~~''~~Turquoise Derivatives Transaction~~''~~" is used in these Procedures to mean any Turquoise Derivatives Orderbook Match, Reported Trade, [Cross-Border Re-registration or Cross-Border Transfer]<sup>4</sup> (as defined in the Definitions sSection of the Regulations), which is eligible for registration by the Clearing House pursuant to the Turquoise Derivatives Regulations.

### 2F.1.3 1.1.3 Enquiries

Enquiries regarding these ~~-~~Turquoise Derivatives Procedures or any other aspects of the operation of the ~~-~~Turquoise Derivatives Service should be directed to the Operations and Client ~~Services (OCS)~~ Servicing Department Derivatives.Ops.UK@lchclearnet.com on +44 (0)20 7426 7688. ~~-~~ Enquiries regarding margining obligations and Clearing Member status should be directed to the ~~Risk-Operations~~OCS Margin Management Department on +44 (0)20 7426 7520.

Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>).

### 2F.1.4 1.1.4 Service Use

Where any Clearing Member wishes to participate in any part of the Turquoise Derivatives Service it must first seek appropriate authorisation from the Clearing House.

Details of how to obtain such authorisations may be obtained from the Membership Department on +44 (0)20 7426 7949. The Clearing Member must comply with all Clearing Member status, and other, requirements of the Clearing House (including requirements relating to settlement). In particular with regard to settlement that Clearing Member must at all times ensure:

(i)(a) appropriate stock account~~(s)~~ is/are nominated and available in the system of the ASP for making or taking delivery of securities resulting from the exercise/expiry of any ~~-~~Turquoise Derivatives Eligible Product; and

(ii)(b) a fully operational cash account is nominated and available in the system of the ASP in respect of each currency in which ~~an~~a Turquoise Derivatives Transaction may be concluded.

Failure to meet the requirements set out in (i)(a) and (ii)(b) above (and other applicable requirements) may result in that Clearing Member not having

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<sup>4</sup> To delete if Oslo Interoperability Agreement is not approved.

appropriate settlement arrangements in place or not fulfilling the relevant criteria prescribed in the Turquoise Derivatives Regulations for registration of a Turquoise Derivatives Transaction.

In the event that, at the time the Clearing House or its agent receives the details of any -Turquoise Derivatives Transaction for registration, the Clearing Member in whose name that trade is to be registered has not made available a fully operational cash account or stock account in the system of the ASP, for settlement purposes in respect of that Turquoise Derivatives Transaction, then the Clearing House may, in its absolute discretion, nevertheless decide to register that Turquoise Derivatives Transaction. In such circumstances, the Clearing House may make such arrangements as it considers appropriate in order to facilitate the proper and orderly settlement of that Turquoise Derivatives Transaction. —The Clearing House is entitled in those circumstances to debit the PPS account of the Clearing Member for all costs and expenses incurred by the Clearing House.

#### **2F.1.51.1.5 *Use of Agents for Settlement and/or Delivery Purposes***

Where the Clearing House receives an instruction in writing from a Clearing Member, requesting or requiring that settlement and/or delivery of any Turquoise Derivatives Eligible Product be carried out by any third party acting as agent or other representative of that Clearing Member (“(“Settlement Agent”);”), then the Clearing House will do what it reasonably can to accommodate such request as set out below, providing however that in any such case and notwithstanding such instruction, that Clearing Member shall remain responsible for meeting all obligations to the Clearing House with regard to settlement and delivery under the Regulations (including these Procedures) and any other applicable agreements.

The Clearing House will use its reasonable endeavours to take delivery from or make delivery to such Settlement Agent but the Clearing House has no contractual relationship with such Settlement Agent and shall owe no duty of care nor have any liability whatsoever to such Settlement Agent (whether that person is a Clearing Member or not) or any other person in the event of any act or default of such Delivery/Settlement Agent, or with regard to any matter arising out of or in connection with such delivery.

Subject to the above, any reference in these Procedures to any act to be done by a Clearing Member may be carried out by a Settlement Agent where one has been appointed and the Clearing House has been so notified.

#### **2F.1.61.1.6 *Suspension of Trading***

For the avoidance of doubt, any action by TGHL [or a Participating Exchange<sup>5</sup> to suspend, de-list or take any other action with regard to a Turquoise Derivatives Eligible Product shall not affect any obligations that a Clearing Member may have to the Clearing House with regard to any unsettled

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<sup>5</sup> To delete if Oslo Interoperability Agreement is not approved.

Turquoise Derivatives Cleared Exchange Contract in that Turquoise Derivatives Eligible Product.

**2F.1.7** 1.1.7 ***Liability***

Clearing Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in Regulation 3952 (*Exclusion of Liability*).

The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

**GENERAL INFORMATION**

**1.2** **General Information**

Only Turquoise Derivatives Transactions which meet the relevant criteria for registration as set out in the Turquoise Derivatives Regulations, the Product Specific Contract Terms and Eligibility Criteria Manual and the other requirements of the Regulations will be registered by the Clearing House as Turquoise Derivatives Cleared Exchange Contracts.

Clearing Members should note that registration of Reported Trades is at the discretion of the Clearing House and subject to Clearing Members meeting the Clearing House's margin requirements with respect to those trades.

Subject to the requirements of the Regulations, participation in the Turquoise Derivatives Service is available to:

- (i) any Clearing Member who has been and remains approved by the Clearing House to participate in the ~~Clearing House~~ Turquoise Derivatives Service; and
- (ii) any ~~NCM—see section 2F.2.1 below—who has been admitted to and who remains on~~ Non-Member Market Participant in respect of the Register of Turquoise Derivatives ~~NCMs.~~ Service in accordance with Regulation 7 (Non-Member Market Participant Status).

Please note that, all physically delivered underlyings resulting from Turquoise Derivatives Transactions will become EquityClear Contracts and be cleared and settled through the EquityClear service. Any Clearing Member or ~~NCM~~ Non-Member Market Participant who is party to Turquoise Derivatives Transactions which give rise to such physical underlyings will either need to be approved to participate in the EquityClear ~~s~~ Service or appoint a ~~GCM~~ Clearing Member who is so approved.

~~Turquoise Derivatives Transactions of Turquoise Derivatives NCMs~~

~~The Clearing House has a form of agreement, known as the Turquoise Derivatives NCM-GCM Agreement. It sets out the terms which apply to the supply by the Clearing House of clearing services in respect of Turquoise Derivatives Transactions to which persons who are~~

~~not Clearing Members of the Clearing House are party and whose names are included in the “Register of Turquoise Derivatives NCMs” held by the Clearing House, and who are known as “TGHL Non-Clearing Members” or “Turquoise Derivatives NCMs”.~~

~~Where any Clearing Member is authorised by the Clearing House to participate in the Clearing House Turquoise Derivatives Service and that Clearing Member wishes the Clearing House to become party to Turquoise Derivatives Transactions initiated by an NCM then it must first enter into an Turquoise Derivatives NCM GCM Agreement with that NCM (in the form prescribed by the Clearing House) and submit the Agreement to the Clearing House with a request that the Clearing House agrees to become party to it by signing it. The Membership Department on +44 (0)20 7426 7949 will provide details of the correct form to be used in putting forward such Agreement for approval by the Clearing House.~~

~~The receipt by the Clearing House of a Turquoise Derivatives NCM GCM Agreement in the prescribed form, signed by a Clearing Member approved by the Clearing House to clear Turquoise Derivatives Transactions (known in the agreement as a “GCM”), and an NCM shall be conclusive evidence that the Clearing Member party to it agrees to be party to Turquoise Derivatives Transactions arising according to the terms of that agreement. The Clearing House is not obliged to verify the appropriateness or authenticity of the signatures which appear on any such agreement, nor that the person signing on behalf of any of the parties had the correct authority to sign. Any NCM wishing to apply for Clearing Member status must ensure that it has terminated the Turquoise Derivatives NCM to which it is party according to the terms of that agreement, prior to submitting in its new capacity any Turquoise Derivatives Transactions for clearing. Failure to do so may result in delay in registration of trades or their rejection.~~

~~Deliveries with regard to Turquoise Derivatives Cleared Exchange Contracts may only be made through one of the settlement systems approved by the Clearing House for such purposes (“Approved Turquoise Derivatives Settlement Provider” or “ASP Turquoise Derivatives”). Clearing Members must familiarize themselves with all operating procedures and applicable rules of the relevant ASP. Appendix [ ] sets out details of which ASPs have been approved by the Clearing House.~~

### **2F.2.21.2.1 Service Timetable**

#### *Operating Times:*

The Clearing House will publish by Clearing Member circular and on its website (<http://www.lchclearnet.com>) details of the days and times during which the ~~Clearing House~~ Turquoise Derivatives Service will be operational (~~“(“Turquoise Derivatives UK Business Days”):”~~).

#### *Trade Acceptance Hours:*

Please refer to the trade acceptance hours of TGHL on their website.

### **2F.2.31.2.2 Member Reporting**

Clearing Members are able to receive their Clearing House position information in respect of Turquoise Derivatives Transactions via the Bits Clearing System (~~“(“BCS”):”~~). The Clearing House makes available appropriate clearing information via reports, real time confirmations and other means via existing Clearing Member reporting mechanisms.

TGHL notifies Clearing Members of certain information under its rules via various "Notes" e.g. Settlement Note, Delivery Instruction Note, Expiration Settlement Note. Such reports are issued on behalf of the Clearing House in cases where they indicate obligations as between Clearing Members and the Clearing House.

Detailed margin parameters files are made available to Clearing Members daily on LCH Member Reporting website. There is no printed hard copy report distributed for any part of the Turquoise Derivatives Service. Any queries in connection with margin parameters or reporting should be directed to the Risk Operations Department on +44 (0)20 7426 7520.

### 1.2.3 Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a Turquoise Derivatives Cleared Exchange Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.

### 2F.2.4 1.2.4 *Static Data*

Prior to submission of any Turquoise Derivatives Transactions for registration a Clearing Member is required to complete a static data form.

Copies of the prescribed form can be requested from the Membership Department on +44 (0)20 7426 7949.

Failure to complete and submit the static data form in respect of the particular type of Turquoise Derivatives Eligible Product and confirmation of the account to which the Turquoise Derivatives Transactions shall be allocated may result in the rejection of trades.

## **REGISTRATION**

### 1.3 Registration

#### 2F.3.1 1.3.1 *General*

Each Clearing Member ~~and each Turquoise Derivatives NCM~~ requires the express written approval of the Clearing House in order to participate in the Turquoise Derivatives Service. Details of how such approval may be obtained are available from the Membership Department on +44 (0)20 7426 7949.

Each Turquoise Derivatives Transaction must pass the Clearing House's validation procedures to enable it to be registered.

Each Clearing Member authorised to participate in the Turquoise Derivatives Service and each ~~Turquoise Derivatives NCM~~ Non-Member Market

Participant, must be familiar with the operating procedures and deadlines of TGHL.

### **2F.3.2** 1.3.2 **Intra-Day Registration**

The Clearing House registers all Turquoise Derivatives Orderbook Matches and other eligible Turquoise ~~D~~erivatives trades on an intra-day basis. Registration occurs when they pass all of the Clearing House's validation procedures.

Registration of Reported Trades is at the discretion of the Clearing House and subject to Clearing Members meeting the Clearing House's margin requirements with respect to those trades.

## **POSITION AND FINANCIAL ACCOUNTS**

### **1.4 Proprietary Accounts and Client Accounts**

#### **1.4.1 Proprietary Accounts**

A Clearing Member 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.

#### **1.4.2 Client Accounts**

##### **(a) Types of Client Account**

Subject to Regulation 11 (*Client Clearing Business*) of the General Regulations and Section 1.13 below, a Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business one or more:

- (i) Individual Segregated Accounts; and
- (ii) Non-Identified 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.

## 1.5 Position and Collateral Accounts

### 2F.4.1 1.5.1 Member Accounts

For identification purposes each Clearing Member is assigned a unique three-character mnemonic. —A Clearing Member's position and financial information are further identified by ~~codes (see below)~~ a single character code: H for Turquoise Clearing House Business; C for Turquoise Client Clearing Business; and F for Default Fund contributions. The H and F account are obligatory, the C account will be used in respect of any Clearing Member which engages in any Turquoise Client Clearing Business.

### 2F.4.2 1.5.2 Position-keeping accounts

Positions are recorded within the clearing system (BCS) in position-keeping accounts ~~which are not Member Accounts as described in Regulation 5.~~

The basic account types are; ~~house account (this account represents a Clearing Member's principal business); customer/agent account; market maker account; and reject account (this account represents "trades" which have not been assigned to an account?)."H" account for Turquoise Clearing House Business. "C" account for Turquoise Client Clearing Business in respect of a Clearing Member's Non-Identified Client Omnibus Net Segregated Account and "Seg" for Turquoise Client Clearing Business in respect of an Individual Segregated Account.~~

### 2F.4.3 1.5.3 Financial Collateral Accounts

Member Accounts have ~~financial collateral~~ accounts associated with them. These are used, among other things, to record cash balances, and securities/documentary credits. Information contained within ~~position-keeping accounts is mapped to financial accounts upon direction from the Clearing Member. "H" for house and non-segregated business; "C" for Client segregated position keeping account; "O" + 3 alpha/numeric for any additional Client position keeping accounts requested by the Clearing Member and F for Default Fund contributions. The H and F account are obligatory, the C and "O" accounts are optional. All other accounts are administrative and do not constitute Member accounts as defined in Regulation 5. There shall be no offset of collateral between financial accounts, save as permitted by Default Rule 8(d) (where the Clearing House may apply any balance on the Proprietary Account(s) to meet any shortfall on the client account(s)).~~ keeping accounts is mapped to collateral accounts upon direction from the Clearing Member.

By accepting a trade into a position-keeping account, a Clearing Member is also deemed to be designating that trade for the associated ~~financial collateral~~ account. There is no facility to change the designation once the market contracts have been registered.

### Other Financial Accounts



~~Each Clearing Member's Default Fund Contribution is held in a separate financial~~ client "C" position-keeping account. ~~This and the client "C" collateral account attracts a rate of interest as set out in the Default Fund Rules. The Default Fund financial~~ a Clearing Member may hold any number of segregated sub-accounts.

#### 1.5.4 Relationship with Position-Keeping Accounts and Collateral Accounts

~~Each client "C" position-keeping account is designated by~~ and the single character code F ~~client "C" collateral account of a Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the Clearing Member will map onto one such segregated sub-account in the client "Seg" position-keeping account and one such segregated sub-account in the client "C" collateral account and the Non-Identified Client Omnibus Net 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.~~

#### 1.5.5 Other accounts

At the Clearing House's discretion, further ~~financial~~ accounts, ~~used only to record financial balances,~~ may be opened as follows:

	<u>Code</u>
Buffer account (House), used for holding <del>additional cash in relation to House business</del> <u>Excess</u>	B
Buffer account (Client), used for holding <del>additional cash in relation to Client business</del> <u>Excess</u>	E
<del>Accounts holding supplementary financial resources</del>	<del>Q</del>

## MARGINING

#### 1.5.6 Default Fund (F) Account

Each Clearing Member's Default Fund Contribution is held in a separate account. This account attracts a rate of interest as set out in the Default Rules. The Default Fund account is designated by the single character code F.

## 1.6 Margin and Collateral

1.6.1 The Clearing House will calculate margin obligations in respect of all outstanding Turquoise Derivatives Cleared Exchange Contracts of each Clearing Member. ~~Margin~~ The margin obligation is made up of two basic components:

~~(i)~~ (a) Initial Margin; and



~~(#)(b)~~ (b) Variation Margin.

The two components are described below. Questions regarding the ~~margin~~margin obligations of Turquoise Derivatives Cleared Exchange Contracts should be directed to the Risk Operations Department on +44 (0)20 7426 7520.

Separate ~~Initial~~ and ~~Variation Margin~~variation margin calculations are performed for a Clearing ~~Member's house (H)~~Member's Proprietary Account and ~~client (C) accounts; no~~for each Client Account. No offset between ~~these~~the "C" and the "H" accounts is allowed. ~~Each and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.~~

Margin requirements in respect of each account will be ~~margin~~calculated on a net basis.

**2F.5.2**1.6.2 *Initial Margin*

The Clearing House will require Clearing Members to transfer to the Clearing House Collateral in respect of their initial margin obligations.

Initial ~~M~~margin requirements will be determined using the SPAN algorithm for all open contracts. Initial ~~M~~margin requirements will be determined by the ERA algorithm for contracts during the delivery period.

*Initial Margin Parameters*

The margin parameters for SPAN, and ERA, used in the ~~Initial Margin~~initial margin calculation will be made available by the Clearing House on the website. In the event of changes to parameters, Clearing Members will be notified as soon as possible of amendments and no later than the day before calls are made based upon the new parameters.

**2F.5.3**1.6.3 *Variation Margin*

~~All~~Variation margin obligations in respect of all open contracts ~~have~~Variation Margin~~are~~ calculated daily by the Clearing House in accordance with Turquoise Derivatives<sup>2</sup> Regulations. The official quotation is used as the market price. Profits or losses are either credited or debited from the ~~Clearing Member's financial accounts~~relevant account (realised margin) or they form non-~~r~~realised contingent liabilities or credits.

~~Separate variation margin calculations are performed for a Clearing Member's House "H", Client "C" and Client "O" accounts. No offset between accounts is allowed.~~

**2F.5.3.1**(a) *Realised Variation Margin*

Realised ~~Variation Margin~~variation margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in BCS; i.e. the trade price for new trades and the previous day<sup>2</sup>'s official

quotation for other positions. All futures contracts' variation margin amounts are realised into postings to Clearing ~~Members'~~ ~~financial~~ Members' accounts.

#### 2F.5.3.2(b) Contingent Variation Margin

Contingent ~~Variation Margin~~ variation margin is calculated with reference to the original trade or delivery price and the relevant official quotation. Contingent ~~Variation Margin~~ variation margin is applicable to all '~~forward style~~' forward style' future contracts.

#### 2F.5.3.3(c) Option Variation Margin

Option variation margin (also known as Option Net Liquidation Value or Option Market Value) is the value of the unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

#### 2F.5.4 1.6.4 Intra-day margin calls

The Clearing House will calculate each Clearing ~~Member's Initial~~ Member's initial and ~~Variation Margin~~ variation margin obligations on a routine basis at several points throughout the day. The Clearing House will re-calculate the Clearing Member's liabilities using current market prices and current Clearing Members' positions. In the event that a Clearing Member has insufficient Collateral with the Clearing House, an intra-day PPS call will be issued. In addition, the Clearing House reviews the ~~Initial~~ Initial and ~~Variation Margin~~ variation margin requirements of each Clearing Member throughout the business day. In the event of an increase in a Clearing Member's liability, the Clearing House will make further intra-day adjustments on a Clearing Member specific basis. In the event of a Clearing Member having insufficient Collateral, the Clearing House will make further intra-day calls. Clearing Members should ensure that they are, at any point throughout the day, in a position to meet a PPS call.

## ~~INSOLVENCY AND DEFAULT~~

### 1.7 Insolvency and Default

#### 2F.6.1 1.7.1 Insolvency of an Issuer

For the avoidance of doubt, Clearing Members are advised that their obligations set out in these Regulations and Procedures and any other relevant agreements with the Clearing House including but not limited to obligations regarding settlement and delivery continue notwithstanding any suspension of trading in such securities on any Exchange (including TGHL, [any Co-operating Exchange and Co-operating Clearing House]<sup>6</sup>) or other trading platform and notwithstanding that the Issuer of such securities passes a resolution or the court makes an order for the winding up of the Issuer or a

<sup>6</sup> To delete if Oslo Interoperability Agreement is not approved.

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 settlement of any securities cannot take place because of a court, administrative or regulatory order or because of an insolvency event affecting the Issuer of such securities, the Clearing House may in its discretion, give notice to Clearing Members who are party to open contracts in respect of those securities, that such contracts will be cash settled at such price as the Clearing House may set in its reasonable discretion. Clearing Members should note that in such circumstances the reference price may be NIL.

**2F.6.2**1.7.2 **[Default of an NCM****OSE**

~~In the event that an NCM (“the Defaulting NCM”) is declared to be in default by TGHL in accordance with their default rules, the Clearing Member with whom that NCM has a subsisting Turquoise Derivatives NCM-GCM Agreement, remains fully responsible for meeting all obligations to the Clearing House in respect of all contracts arising from trades executed on TGHL by or on behalf of that NCM. Similarly where a non - Turquoise Derivatives member (“the OSE Defaulter”)~~Where a non - Turquoise Derivatives member (the "OSE Defaulter") clearing through OSLO Clearing (OC) (directly or indirectly) is declared to be in default by OC, OC remains fully responsible for meeting all obligations to the Clearing House in respect of all Turquoise Derivatives Cleared Exchange Contracts arising from the trades executed or entered into on or through the joint order book or otherwise registered by TGHL as Turquoise Derivatives Transactions by that OC Defaulter.]

~~Suspension of the Open Offer in respect of an NCM~~

~~At any time while a valid Turquoise Derivatives NCM-GCM Agreement is in operation, the Clearing Member party to such Agreement may request suspension of the Turquoise Derivatives Open Offer (and/or, where applicable, registration of Reported Trades) with regard to the Turquoise Derivatives NCM which is party to that agreement. Such request must be made in accordance with these Procedures. Clearing Members should note that the following provisions are applicable only to a request for suspension made under the relevant provision of the applicable Turquoise Derivatives NCM-GCM Agreement. They do not apply to the Clearing House’s powers (as set out in Regulation 79 of the Turquoise Derivatives Regulations) to suspend any part of the Turquoise Derivatives Service. These powers may be exercised in such manner as the Clearing House deems appropriate in the circumstances.~~

~~A request for suspension of any Turquoise Derivatives NCM may only be made by a Clearing Member if that Clearing Member shall have previously given notice to LCH’s Risk Management Department in writing setting out the following matters:~~

- ~~a list (“the Authorised List”) of the names, telephone and fax numbers (and email addresses where applicable) of each person (“Authorised Person”) who is~~

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<sup>7</sup> To delete if Oslo Interoperability Agreement is not approved.

~~authorised from time to time by that Clearing Member to make any such suspension request. The Clearing Member may from time to time add or remove any names, and accompanying particulars from such list.~~

~~a specimen of the signature of each person whose name appears on the Authorised List.~~

~~A request to suspend may be made either by telephone or in writing to the Clearing House by any person whose name appears on the Authorised List at the time of such request.~~

~~The Clearing House may rely on any written request for suspension which reasonably appears to the Clearing House to be given by any Authorised Person without any 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 may also rely upon telephone request for suspension providing that it forms the reasonable opinion that the giver of such request is an Authorised Person. The Clearing House shall be under no obligation to inquire into the authority of the signatory of any such written request for suspension or the giver of any such telephone request, nor to inquire into the reasons for any such requested suspension.~~

~~A request for suspension may only be made if prior notice of the Clearing Member's intention to make such request has been given to TGHL.~~

~~Any request for suspension, whether made by telephone or in writing, shall contain the following information: the name of the requesting Clearing Member;~~

~~the name and address of the NCM as it appears on the relevant NCM-GCM Agreement/s to which the Clearing Member and the NCM are party;~~

~~the requested date and time for commencement and end of suspension. In the event of a telephone request, the Clearing Member may request suspension to take effect from a time no earlier than 1 hour from the time of the telephone call. In respect of a written request, the Clearing Member may request suspension to take effect from a time no earlier than 3 hours from the time of receipt by the Clearing House of such written request. Where the Clearing Member does not wish to nominate an end date and time for the suspension, it may request indefinite suspension providing a start date and time is nominated;~~

~~the name, telephone number and fax number and/or email address of the person with whom the Clearing House may communicate in respect of such request and any subsequent suspension;~~

~~the date and time of notification to TGHL of that Clearing Member's intention to request suspension and the identity and telephone number of the person to whom such notification was given.~~

~~In the absence of any part or parts of the above information from such request, the Clearing House may decline to give effect to such request.~~

~~Any telephone request for suspension may only be made to the following telephone number during the following times:~~

~~Clearing House Membership Department +44 (0)20 7426 7949~~

~~09:30—17:30 hours London time on any Turquoise Derivatives UK Business Day~~

~~It must promptly be confirmed by facsimile (addressed to the Head of Risk Management, LCH.Clearnet Limited) sent to the following number+44 (0)20 7667 7351.~~

~~Any written request for suspension must be addressed to the Head of Risk Management, LCH.Clearnet Limited, and marked “Urgent NCM suspension request”. It must be received by the Clearing House during the hours of 09:00–17:30 hours London time on any Turquoise Derivatives UK Business Day. Delivery may be effected by post, or courier.~~

~~Requests for suspension may not be made in any manner or form other than as set out above. Following receipt of such a request for suspension, the Clearing House may in its absolute discretion but without being under any obligation to do so, make such inquiries of the requesting Clearing Member, relevant NCM, TGHL and each relevant ASP and such other persons as it considers appropriate in the circumstances.~~

~~In the event that the Clearing House receives a request for suspension, it will use its reasonable endeavours to give effect to it in accordance with Section 2F.8.8. However, it shall be under no obligation to give effect to that request for suspension where the Clearing House in its absolute discretion believes that to do so would damage the integrity of the Clearing House, cause disruption or disorder to any relevant market or expose the Clearing House to any unacceptable risk.~~

~~For these purposes, the following constitutes giving effect to a request for suspension by the Clearing House in respect of an NCM:~~

~~Notification to TGHL, in accordance with any procedures as may be agreed from time to time with TGHL, that the Clearing House will, for the period of time stated in such notification (“the period of suspension”) withdraw the relevant Open Offer in respect of, and decline to register, any Turquoise Derivatives Transaction executed or entered into or reported by or on behalf of that NCM. Where no such period is stated, then the Clearing House will state the time and date from which it will decline to register any trades of that NCM until further notice (that period being the “period of suspension”).~~

~~During the period of suspension the Clearing House will be entitled to decline to register any Turquoise Derivatives Transaction executed or entered into or reported by or on behalf of that NCM.~~

~~Notwithstanding any such suspension, the Clearing Member who requested the suspension will continue to be bound by its obligations as set out in the relevant Turquoise Derivatives NCM-GCM Agreement and under the Regulations and these Procedures in respect of any trade (and any subsequent Contract arising from it) executed before or during the period of the suspension and thereafter for so long as that Agreement subsists, including but not limited to the fulfillment of its obligations to the Clearing House in respect of any trade which is submitted for registration and is registered by the Clearing House during the period of the suspension.~~

~~When the Clearing House carries out any suspension in respect of any NCM it will use its reasonable endeavours to notify that NCM of the fact and length of the suspension. The failure or omission to give any such notice to that NCM will not give rise to any liability whatsoever on the part of the Clearing House with regard to any trade/s rejected by the Clearing House during the period of suspension, or otherwise.~~

~~Clearing Members should note that the Clearing House is under no obligation to notify that NCM that it has received a request to suspend. The Clearing Member requesting suspension should ensure that the relevant NCM is aware of that Clearing Member’s intention to request suspension.~~

## ~~OPTION EXERCISE AND EXPIRY~~

### 1.8 Option Exercise and Expiry

Clearing Members should note that option contracts must be exercised either manually or automatically through BCS in accordance with the relevant Turquoise

Derivatives Rules, other relevant TGHL documentation which set out times at which notification of exercise must be given and the Clearing House General Regulations and these Procedures.

On expiry, an automatic exercise facility is available. Once a deadline is met, the ability to exercise is withdrawn. For full details Clearing Members should consult ~~the relevant TGHL documentation~~ [LCH Operations and Client Servicing on +44 \(0\)207 426 7688 or Derivatives.Ops.UK@lchclearnet.com](#).

When an option is exercised, a delivery or cash settlement obligation will arise, depending on the contract terms. Options that are not exercised (i.e. deny exercise request) by the time of expiry will expire worthless.

#### **2F.7.11.8.1 *Non Standard Exercise of Options***

##### *Stock Options*

Stock options for Turquoise Derivatives Orderbook Matches are American style (Tailor Made contracts and Reported Trades can be either American/European style) and accordingly Clearing Members are permitted to input exercise orders at any time during the lifetime of the option. Exercise orders may be submitted either via the BCS or via fax to TGHL in the manner and times prescribed in the ~~-~~Turquoise Derivatives Rules.

#### **2F.7.21.8.2 *Standard Exercise of Options***

##### *Stock Options*

Exercise Rules are specified by the Turquoise Derivatives Rule Book, which determine the times that exercise notifications must be given and by which automatic exercise operates. Automatic exercise of in-~~the~~-money options can be overridden by Clearing Members on any option contract by submitting a deny exercise order request in the manner and times prescribed in the Turquoise Derivatives Rules.

Clearing Members wishing to exercise an out-~~of~~-~~the~~-money option, or an option that is not to be automatically exercised, must input an instruction via the manual exercise screen or by submitting a fax to TGHL.

##### *Index Options*

Index options are European style and accordingly are only subject to exercise on the expiry day. Automatic exercise instructions for all option contracts are pre-~~set~~ to exercise those contracts whose strike price is above or below reference price. Automatic exercise of in-~~the~~-money options can be overridden by Clearing Members on any option contract by submitting a deny exercise order request in the manner and times prescribed in the Turquoise Derivatives Rules.

Clearing Members wishing to exercise an out-of-the-money option, or an option that is not to be automatically exercised, must input an instruction via the manual exercise screen or by submitting a fax to TGHL.

### **2F.7.31.8.3 *Reference Prices***

The reference prices to determine option exercise used by BCS on the expiry day shall be calculated in accordance with the contract terms as outlined in the Turquoise Derivatives Rules.

## **SETTLEMENT**

### **1.9 *Settlement***

#### **2F.8.11.9.1 *Daily Cash Settlement***

Certain Turquoise Derivatives Eligible Products will be subject to a daily cash settlement. The daily cash settlement of a contract is a cash payment derived by reference to the traded/registered price and the official closing price for the contract. The daily cash settlement amount is debited from or credited to ~~Clearing Members' financial accounts~~the relevant Proprietary Account or Client Account (as applicable) in the original currency of the contract.

A list of Turquoise Derivatives Eligible Products that are subject to a daily cash settlement can be found in the Turquoise Derivatives Rules.

#### **2F.8.21.9.2 *Interim Cash Settlement for Cleared Only Contracts***

The interim settlement occurs on a monthly basis in accordance with the contract terms as outlined in the Turquoise Derivatives Rules. The cash payment settlement day takes place in accordance with the contract terms.

The interim settlement amount is derived by reference to:

For Mortgage Bonds or a Credit Market Instrument, the difference in value between the Interim Settlement Yield and the Transaction Yield.

For the STIBOR-FRA and NIBOR-FRA contracts the difference between the Interim Settlement Rate and the Registered Rate.

#### **2F.8.31.9.3 *Final Cash Settlement***

Cash settlement is the final settlement of a contract by way of a cash payment derived by reference to:

For futures, the difference between the expiry price and the price of the contract from the previous business day.

For options, the difference between the option reference price and the strike price.



The cash settlement amount is debited from or credited to ~~Clearing Members' financial accounts~~ the relevant Proprietary Account or Client Account (as applicable) in the original currency of the contract.

#### **2F.8.41.9.4 Option Premium**

Option premium on all contracts are settled up-front on the business day after the day of trade. The traded premium is debited from the relevant Proprietary Account or Client Account of the buying Clearing ~~Member's financial account~~Member, and credited to the relevant Proprietary Account or Client Account (as applicable) of the selling Clearing ~~Member's financial account~~Member's in the currency of the contract.

#### **2F.8.51.9.5 Delivery**

Contracts remaining open at expiry are settled by physical delivery of the underlying at the price, EDSP as determined by the relevant contract terms.

#### **2F.8.61.9.6 Official Quotations**

Official quotations are based on ~~'closing price', 'base prices', 'expiration closing price', 'base prices', 'expiration settlement price'~~ or ~~'fixing price'~~'fixing price' and are supplied by TGHL at the close of business each business day.

Should TGHL fail to determine official quotations, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

### **~~POSITION TRANSFERS~~**

#### **1.10 Position Transfers**

Clearing Members wishing to effect a position transfer to another Clearing Member approved to participate in the ~~Clearing House~~Turquoise Derivatives Service should submit a written request to LCH ~~Risk Operations~~OCS Margin Management.

Provided they relate to valid positions and adequate Collateral is available from both Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral ~~has been~~is transferred to the Clearing House.

### **~~SUSPENSION OF THE SERVICE~~**

#### **1.11 Suspension of the Service**

Members should be aware that the Clearing House may suspend the Clearing Turquoise Derivatives Services in the circumstances set out in Regulation ~~79-77~~(Turquoise Derivatives Orderbook Matches made on TGHL Market).

### **~~DELIVERY PROCEDURES~~**



## 1.12 Delivery Procedures

All physically delivered underlyings resulting from Turquoise Derivatives will become EquityClear Contracts and be cleared through the EquityClear service in accordance with the [EquityClear Procedures](#) as outlined in [sSection 2D](#). For these purposes, the Clearing Member, GCM or ~~NCM~~[Non-Member Market Participant](#) who is party to the relevant Turquoise Derivative contract will need to be approved to participate in the EquityClear service as a GCM or Clearing Member or, alternatively, will need to appoint a GCM which participates in the EquityClear service to act on its behalf.-

## 1.13 Turquoise Derivatives Client Clearing

### 1.13.1 Turquoise Derivatives Clearing Member Client Clearing – Ancillary Documentation

#### (a) Security Deed

Unless specified otherwise by the Clearing House, a Turquoise Derivatives 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 Turquoise Derivatives Clearing Member is required to ensure that it includes certain language in its agreement with its Turquoise Derivatives Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

Turquoise Derivatives Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[●]<sup>8</sup>

### 1.13.2 Backup Clearing Members

A Turquoise Derivatives Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the Turquoise Derivatives Contracts entered into by a Turquoise Derivatives Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a Turquoise Derivatives Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing

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<sup>8</sup> To insert web address upon the relevant website link going live.

Member in respect of a Turquoise Derivatives Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a Turquoise Derivatives Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that Turquoise Derivatives Contracts will always be transferred to that Backup Clearing Member. Porting of Turquoise Derivatives Contracts, following a Turquoise Derivatives Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.14 Indirect Clearing

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

- (a) in circumstances where (i) the Turquoise Derivatives 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 Turquoise Derivatives 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 1.14.1(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 Turquoise Derivatives 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**"); or
- (b) transfer the relevant Related Turquoise Derivatives Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant Turquoise Derivatives Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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

Turquoise Derivatives 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 Turquoise Derivatives Contracts to the Turquoise Derivatives Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.14.2 Each of the steps referred to in paragraphs 1.14.1(a) and 1.14.1(b) 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 Turquoise Derivatives Clearing Member to the relevant Turquoise Derivatives Clearing Client or from the relevant Turquoise Derivatives Clearing Client to the relevant Turquoise Derivatives 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 Turquoise Derivatives Clearing Member on the relevant Turquoise Derivatives Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that Turquoise Derivatives Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related Turquoise Derivatives 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 Turquoise Derivatives Clearing Member in a form suitable to the Clearing House

Unless contested by the relevant Turquoise Derivatives Clearing Client, the Clearing House will usually arrange a transfer of Related Turquoise Derivatives Contracts 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 Turquoise Derivatives Contract" means in respect of a transaction between a Turquoise Derivatives Clearing Member and a Turquoise Derivatives Clearing Client which has been terminated on an early termination date, the open position represented by the Turquoise Derivatives Cleared Exchange Contract entered into with the Clearing House by such Turquoise Derivatives Clearing Member on behalf of the relevant Turquoise Derivatives Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.14, the Turquoise Derivatives Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**SECTION 2G**

**CONTENTS**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2G**

**THE NODAL CLEARING SERVICE**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>2G. THE NODAL SERVICE.....</del>	<del>2</del>
<del>2G.1 INTRODUCTION.....</del>	<del>2</del>
<del>2G.2 MEMBERSHIP.....</del>	<del>2</del>
<del>2G.3 GENERAL.....</del>	<del>3</del>
<del>2G.4 NODAL TRANSACTIONS.....</del>	<del>3</del>
<del>2G.5 CLEARING FOR NODAL NON CLEARING PARTICIPANTS.....</del>	<del>4</del>
<del>2G.6 REGISTRATION OF NODAL TRANSACTIONS.....</del>	<del>5</del>
<del>2G.7 POSITION AND FINANCIAL ACCOUNTS.....</del>	<del>6</del>
<del>2G.8 FEES.....</del>	<del>8</del>
<del>2G.9 MARGIN.....</del>	<del>8</del>
<del>2G.10 TAX.....</del>	<del>9</del>
<del>2G.11 SETTLEMENT OF NODAL CONTRACTS.....</del>	<del>9</del>
<del>2G.12 POSITION TRANSFERS.....</del>	<del>10</del>
<u>1. THE NODAL CLEARING SERVICE.....</u>	<u>1</u>
<u>1.1 Introduction.....</u>	<u>1</u>
<u>1.2 Membership.....</u>	<u>1</u>
<u>1.3 General.....</u>	<u>2</u>
<u>1.4 NODAL Transactions.....</u>	<u>2</u>
<u>1.5 Registration of NODAL Transactions.....</u>	<u>3</u>
<u>1.6 Proprietary Accounts and Client Accounts.....</u>	<u>4</u>
<u>1.7 Position and Collateral Accounts.....</u>	<u>5</u>
<u>1.8 Fees.....</u>	<u>6</u>
<u>1.9 Margin and Collateral.....</u>	<u>7</u>
<u>1.10 Tax.....</u>	<u>8</u>
<u>1.11 Settlement of NODAL Contracts.....</u>	<u>8</u>
<u>1.12 Position Transfers.....</u>	<u>9</u>
<u>1.13 The NODAL Service Client Clearing.....</u>	<u>9</u>
<u>1.14 Indirect Clearing.....</u>	<u>10</u>

## **2G.1. THE NODAL CLEARING SERVICE**

### **INTRODUCTION**

#### **1.1 Introduction**

##### **2G.1.1.1.1 Background**

These NODAL Service procedures apply to the clearing of NODAL Eligible Derivative Products listed on NODAL Exchange.

NODAL Service Clearing Members (~~“CMs”~~) (“**Clearing Members**”) must inform themselves fully of their obligations under the Clearing House Rulebook (the ~~“Rulebook”~~) and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. NODAL Service ~~CMs~~ **Clearing Members** should also familiarise themselves with NODAL’s Rules.

The Clearing House provides the NODAL Service in respect of cash settled futures contracts only. Hence, it does not cover options contracts and there are no physical deliveries under this service. There is no provision for allocation or give-ups.

Please note that both the Rulebook (including these Procedures) and NODAL’s Rules are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the NODAL Service should be directed to the Clearing House ~~Business~~ Operations Department on +44 (0)20 7426 7689 or via email [Derivatives.Ops.UK@lchclearnet.com](mailto:Derivatives.Ops.UK@lchclearnet.com). Enquiries regarding ~~CM~~ **Clearing Member** status should be directed to the Membership Department on +44 (0)20 7426 ~~7627~~ / ~~7063~~.7949 or [membership@lchclearnet.com](mailto:membership@lchclearnet.com). Enquiries relating to NODAL’s Rules should be directed to NODAL.

Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>) and NODAL’s website (<http://www.nodalexchange.com> <http://www.NODALexchange.com>).

##### **2G.1.2.1.1.2 Interpretation**

Capitalised terms used in these Procedures have the meaning set out in the NODAL Regulations unless otherwise specified.

**Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.**

### **MEMBERSHIP**

#### **1.2 Membership**

NODAL Service ~~CMs~~ **Clearing Members** may submit NODAL Transactions for registration by the Clearing House. ~~NODAL~~ Transactions may also be submitted for

registration on behalf of ~~a~~ NODAL Service CM Clearing Members by ~~a~~ NODAL ~~an~~ Non-Clearing Participant ("~~NODAL NCP~~") ~~as set out at Section 2G.4.1.~~").

A NODAL Service CM Clearing Member must comply with all Clearing House requirements and with any NODAL requirements relating to participation in the relevant NODAL Trading System.

It is the responsibility of each NODAL Service CM Clearing Member to keep any report, including, but not limited to, the NODAL Service ~~CM Report~~ Clearing Member Statement, required for its own historic, audit or legal purposes.

Details of how to be approved as a NODAL Service CM Clearing Member can be obtained from the Clearing House Membership Department on +44 (0)20 7426 ~~7627~~ 7063-7949 or [membership@lhclearnet.com](mailto:membership@lhclearnet.com).

#### **2G.2.1.1.2.1** *Submission of NODAL Transactions for registration*

NODAL Service ~~CMs~~ Clearing Members who wish a NODAL Transaction to be registered by the Clearing House must comply with all requirements of the NODAL Exchange, as relevant.

### **GENERAL**

#### **1.3** General

##### **2G.3.1.1.3.1** *Operating Times*

###### **2G.3.1.1(a)** *Opening Days*

Details of the days on which the NODAL Service is operational will be published by the Clearing House by Clearing Member circular. Details of the days on which NODAL is operational is available from NODAL.

###### **2G.3.1.2(b)** *Opening Hours*

The NODAL Service will be operational from ~~0201:00~~ to ~~18:00~~ 17:30 hours, Eastern Prevailing Time (the "Opening Hours").

### **NODAL TRANSACTIONS**

#### **1.3.2** Clearing House Reporting

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a NODAL Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.

## 1.4 NODAL Transactions

### 2G.4.1.4.1 Eligible Transactions

Only the transactions in this ~~2G.4~~Section 1.4 in NODAL Eligible Derivative Products executed or registered through a NODAL Trading System in accordance with NODAL's Rules will be designated as NODAL Transactions eligible for registration by the Clearing House.

Any such transactions must satisfy the Clearing House's requirements as set out in these Procedures and in the NODAL Regulations, and NODAL's requirements as set out in its Rules.

#### (a) Parties to Transactions presented for Registration

The Clearing House only registers NODAL Contracts arising from NODAL Transactions between NODAL Service ~~CMs.~~Clearing Members.

Such NODAL Transactions may arise through trades executed or registered through a NODAL Trading System by NODAL Service ~~CMs,~~Clearing Members or ~~by an NCP on behalf of a~~ NODAL ~~NCPs.~~Service Clearing Member.

The NODAL Transaction may have been entered into by two NODAL Service ~~CMs~~Clearing Members, each acting as principal.

~~One side (or both sides) of the NODAL Transaction may arise through a NODAL NCP executing or registering a trade on the NODAL Trading System. In such case, the trade will immediately be replaced with:~~

- ~~• a trade between the NODAL NCP and its NODAL Service CM, and~~
- ~~• a NODAL Transaction between its NODAL Service CM and the counterparty NODAL Service CM.~~

#### (b) Presentation for Registration

Under A (1) or (2) above, the NODAL Transaction will be presented to the Clearing House for registration as two NODAL Contracts, with the Clearing House as seller to the buying NODAL Service ~~CM~~Clearing Member and as buyer to the selling NODAL Service ~~CM~~Clearing Member.

~~(Where two NODAL NCPs both have the same NODAL Service CM, then each side of the trade will be presented to the Clearing House for registration as a separate NODAL Contract:~~

- ~~• with one in which that NODAL Service CM is buyer and the Clearing House is the seller;~~



- ~~• and the other in which that NODAL Service CM is the seller and the Clearing House is the buyer.)~~

#### 2G.4.21.4.2 **NODAL Contracts – Eligibility Criteria**

It is part of the eligibility criteria for registration as a NODAL Contract that the particulars of a NODAL Transaction presented to the Clearing House must include matched information in respect of the following:

- (a) Seller and the Buyer;
- (b) the NODAL Eligible Derivatives Product which is the subject of the NODAL Transaction (this should be changed to a relevant contract for **Nodal**NODAL); and
- (c) the transaction specific information in respect of the NODAL Eligible Derivative Product.

#### ~~CLEARING FOR NODAL NON-CLEARING PARTICIPANTS~~

##### ~~NODAL NCPs~~

~~Certain NODAL Service CMs may clear for one or more NCPs (“NODAL NCPs”). In order to do so, the following conditions must be satisfied at all times:~~

~~**the NODAL NCP is a participant**Registration of **the NODAL Exchange; and**~~

- ~~(b)1.5 the NODAL Service CM and the NODAL NCP are party to a valid and enforceable agreement under which the NODAL Service CM agrees to clear **NODAL Transactions** on behalf of such person. Such agreement must confer rights on the NODAL Service CM and the NODAL Service CM must lawfully be entitled at all times to pass to the Clearing House, in accordance with Regulation 30, such information and data relating to the NODAL NCP as the Clearing House may in its sole discretion deem appropriate.~~

~~The static data form executed by both the NODAL NCP and the NODAL Service CM shall be definitive proof of the NODAL Service CM clearing for a NODAL NCP.~~

~~The Clearing House contracts with the NODAL Service CM alone and, to the fullest extent permitted by law, disclaims any duties or obligations to a NODAL NCP.~~

~~Further details regarding clearing for NODAL NCPs can be obtained from the Clearing House Membership Department on +44 (0) 207426 7627 / 7063.~~

##### ~~Termination~~

~~The NODAL Service CM may terminate its agreement with a NODAL NCP at any time by giving 21 days written notice to NODAL and the Clearing House. For the avoidance of doubt, the Clearing House need not receive any notice of or any confirmation of such termination from the NODAL NCP.~~

~~For the avoidance of doubt, termination by the NODAL Service CM of its agreement with a NODAL NCP will be without prejudice to the NODAL Service CM's obligations arising from or in relation to any NODAL Transaction or NODAL Contracts arising prior to such termination.~~

## ~~REGISTRATION OF NODAL TRANSACTIONS~~

### ~~2G.6.1~~1.5.1 *General*

The Clearing House may require a NODAL Service [CM Clearing Member](#) in whose name a NODAL Transaction is to be registered to transfer Collateral in respect of initial and variation margin obligations to the Clearing House as a condition of registration as a NODAL Contract.

### ~~2G.6.2~~1.5.2 *Registration*

All matched transactions which have been presented for registration and comply with the Clearing House requirements for registration of a NODAL Transaction, are deemed to have been registered by the Clearing House immediately upon receipt by ~~TRS/CPS~~the NODAL Clearing System (NCS).

### ~~2G.6.3~~1.5.3 *Novation*

With effect from registration, novation operates to replace each NODAL Transaction with two separate NODAL Contracts, one between the selling NODAL Service [CM Clearing Member](#) and the Clearing House and the other between the buying NODAL Service [CM Clearing Member](#) and the Clearing House. Novation is described in more detail in the NODAL Regulations.

### ~~2G.6.4~~1.5.4 *Notification*

All NODAL Contracts arising from registered NODAL Transactions are listed on the NODAL Service ~~CM Report available through TRS~~Clearing Member Statement (CMS) report available via LCH.C's Member Reporting website.

## ~~POSITION AND FINANCIAL ACCOUNTS~~

### 1.6 Proprietary Accounts and Client Accounts

#### 1.6.1 Proprietary Accounts

A NODAL Service Clearing Member 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

#### 1.6.2 Client Accounts

(a) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.13 (The NODAL Service Client Clearing) below, a NODAL Service Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(i) Individual Segregated Accounts;

(ii) Non-Identified Client Omnibus Net Segregated Accounts;

(iii) Identified Client Omnibus Net Segregated Accounts; and/or

(iv) 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.

1.7 Position- and Collateral Accounts

2G.7.1 1.7.1 Position-Keeping Accounts

**Types of Account**

Positions with regard to NODAL Contracts are recorded within ~~CPS~~the NODAL Clearing System in position-keeping accounts at Individual Trader Mnemonic ~~(("ITM"))~~ level, ~~which are not CM accounts as described in Regulation 5.~~ The account types are as follows:

H NODAL Clearing House ~~[excluding Clients]<sup>1</sup>~~ Business

~~N Non-segregated client~~

~~S Segregated client~~

~~Z Default~~ S NODAL Client Clearing Business

~~The H account, only to is obligatory. The S account will be used in the event respect of a CM default~~

~~D Default "transactions"~~ any NODAL Service Clearing Member which have not been assigned to one of the above account codes engages in NODAL Client Clearing Business.

~~The requirement to open H and D accounts is compulsory. Other position-keeping accounts may be opened by agreement with the Clearing House.~~

<sup>1</sup> ~~The "house position-keeping account" represents a Member's principal business; the "house financial account" (see 2G.8.2.1 below) also includes non-segregated clients' positions.~~

Basis of Position Keeping

**(a) 1.7.2 Net Collateral Accounts**

The following NODAL Service Clearing Member position-keeping accounts are held net at ITM level, e.g. a position of bought one lot and sold two lots will be reported as sold one:-

- H — House
- N — Non-segregated client
- S — Segregated client

Gross Accounts

The following position-keeping accounts are held gross at ITM level e.g. a position of bought one lot and sold two lots will show both bought and sold positions:-

- D — Default “transactions” which have not been assigned to one of the above account codes

Financial Accounts

~~NODAL Service CM position-keeping accounts have financial~~ have collateral accounts associated with them. These are, amongst other things, used to record cash balances, securities/documentary credits and non-realised margin obligations.

Where appropriate, a NODAL Service ~~CM’s financial~~ Clearing Member’s collateral accounts are identified by a single character code: C for segregated client business (recorded as S within CPS); NODAL Client Clearing Business; H for ~~house and non-segregated business (recorded as H within CPS).~~ NODAL Clearing House Business. Only the H ~~financial~~ account is obligatory. The C account will be used in respect of any NODAL Service Clearing Member which engages in NODAL Client Clearing Business.

Information contained within a position-keeping accounts is consolidated ~~into financial accounts~~ with the associated collateral account, as follows:

**2G.7.2.1(a) Relationship with Position-keeping accounts**

Position-keeping accounts		Financial Collateral account
H	<u>H NODAL Clearing House Business</u>	H

N Non-segregated client

H

<u>SS NODAL Client Clearing Business</u>	<del>Segregated client</del>
--	------------------------------

D Default “transactions” which have not been assigned to one of the above account codes

H

By permitting a transaction to be allocated to a position-keeping account, a NODAL Service ~~CM~~ Clearing Member is also deemed to be

designating that transaction for the associated ~~financial~~collateral account.

**Other Financial Accounts**

Each client "S" position-keeping account and the client "C" collateral account of a NODAL Service Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the NODAL Service Clearing Member will map onto one such segregated sub-account in the client "S" 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 "S" position-keeping account and one such segregated sub-account in the client "C" collateral account.

(b) Further accounts

Subject to approval by the Clearing House, further ~~financial~~ accounts, ~~used only to record financial balances~~, may be opened as follows:

	<u>Code</u>
Buffer account (House), used for holding <del>additional cash</del> <u>House Excess</u> in relation to <u>NODAL Clearing House</u> <del>b</del> <u>B</u> Business	B
Buffer account (Client), used for holding <del>additional cash in relation to Client</del> <del>business</del> <u>Excess</u>	E

~~Resources account, used for holding supplementary financial resources~~ ~~Q~~

~~Buyers' and Sellers' security account (segregated business) used for certain delivery contracts~~ ~~X~~

**2G.7.2.3(c) Default Fund (DF) Account**

Each NODAL Service ~~CM's~~Clearing Member's Default Fund Contribution is held on a separate ~~financial~~ account. ~~In accordance with the Default Fund Rules this account attracts a rate of interest at 3 month LIBOR +1%.~~ The Default Fund account code is F.

**2G.8.1.8 Fees**

**2G.8.1.1.8.1 General**

Fees arising for the provision of NODAL Services will be collected monthly from the relevant NODAL Service ~~CMs' financial~~Clearing Member's accounts.

Details of tariffs and any changes thereto will be notified to NODAL Service ~~CMs~~Clearing Members by means of Clearing Member circular.

For further details (including details of how information regarding charges made for NODAL Contracts registered by the Clearing House is communicated to NODAL Service ~~CMs~~Clearing Members) please see Section ~~3.6~~(“1.7 (“Fees”)) of Section 3 (*Financial Transactions*) of these Procedures.

#### ~~2G.8.2~~1.8.2 *Execution Fees*

Members are asked to note that, in respect of NODAL Contracts, fees charged to NODAL Service ~~CMs~~Clearing Members by the Clearing House will include execution fees which the Clearing House will collect on behalf of NODAL in respect of the underlying trades executed through the NODAL Trading System.

Details of execution fees and any changes thereto will be notified to NODAL Service ~~CMs~~Clearing Members by NODAL.

### MARGIN

#### 1.9 Margin and Collateral

For the purposes of the NODAL Service only, a “Reference Price” includes daily Settlement Price and final Settlement Price as used in the NODAL Rules.

#### ~~2G.9.1~~1.9.1 *Variation Margin*

Certain NODAL Contracts are settled to market daily by the Clearing House. Profits or losses are either credited to or debited from ~~NODAL Service CMs~~the relevant financial accounts account (realised margin).

Separate variation margin calculations are performed for a NODAL Service Clearing Member's Proprietary Accounts and for each Individual Segregated Client Account and Omnibus Segregated 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.

#### ~~2G.9.1.1~~(a) *Realised Margin*

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant daily Settlement Price with the value of positions recorded i.e. the Traded Price for new trades and the previous day's daily Settlement Price for other positions. The currency of this margin amount will be the same as the currency denomination of the contract's reference price.

### **2G.9.2** 1.9.2 *Initial Margin*

Separate ~~Initial Margin~~ initial margin calculations are performed for a NODAL Service ~~CM's house~~ "H" Clearing Member's Proprietary Accounts and ~~client "C" accounts; no~~ for each Individual Segregated Client Account and Omnibus Segregated Account.

No offset between ~~these~~ the "C" and the "H" accounts is allowed. ~~"H" accounts are margined net, meaning that if long and short positions are held in the same delivery month/prompt date, the initial margin requirement and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is~~ calculations in the basis of the net position. "C" accounts are margined gross on an client by-client basis, meaning that if long and short positions with the same Delivery Month/Prompt Date are attributable to the same client, Initial Margin is charged on the net position, whereas no netting of positions may occur allowed between ~~positions attributable to distinct clients.~~ any Client Accounts.

The Collateral ~~transferred to the Clearing House~~ in respect of the initial margin obligations need not ~~to~~ be in the same currency as the contracts traded. A list of acceptable Collateral to ~~cover~~ satisfy initial margin requirements can be found at the following location:

([http://www.lchclearnet.com/risk\\_management/lt/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/lt/acceptable_collateral.asp))

### **2G.9.2.1** (a) *Initial Margin Parameters*

Initial margin parameters are set by the Clearing House. ~~However,~~ In accordance with the NODAL Regulations, the Clearing House retains the discretion to vary the rates for the whole market or for a NODAL Service ~~CM's house and/or client accounts~~ Clearing Member's Proprietary Accounts and/or Client Accounts.

NODAL Service ~~CMs~~ Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

### **2G.9.2.2** (b) *Intra-day Margin Calls*

In accordance with the Regulations, the Clearing House is entitled to make additional margin calls for ~~transfer of the Collateral on the Clearing House~~ payment on the same day (intra-day margin calls) where it considers it necessary. Intra-day margin calls will be made through the protected payments system (~~("PPS")~~) in London (~~("London PPS")~~) or the USA (~~("US PPS")~~) (see ~~section~~ Section 1.3.2 of Section 3 (Financial Transactions) of these Procedures - ~~"Protected Payments System").~~

### ~~2G.9.2.3~~(c) *Calculation of Initial Margin*

VaR

~~Initial~~The initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin ~~Nodal~~requirements in respect of NODAL exchange contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520

## ~~TAX~~

### 1.10 Tax

NODAL Service ~~CMs~~Clearing Members should take their own advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that the Clearing House incurs any liability to pay any tax in respect of or in connection with any NODAL Contract, it shall have the right to require reimbursement of such tax liability, together with any costs and ~~expenses~~ incurred by the Clearing House in connection with the administration and processing of such tax liability, from the NODAL Service ~~CM~~Clearing Member who is or was party to that NODAL Contract, and whom, in the Clearing House's opinion should be responsible for meeting such tax liability, costs and expenses. The Clearing House will collect such payments through PPS.

### ~~2G.11.1.1~~ SETTLEMENT OF Settlement of NODAL ~~CONTRACTS~~ Contracts

NODAL Contracts are settled depending upon their terms, as set out in the relevant NODAL Contract Terms.

#### ~~2G.11.1.1.1~~ 1.11.1 *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the final Settlement Price and the previous trading day's daily Settlement Price or such other quotation as is specified in NODAL's Rules. This is debited from or credited to the ~~NODAL Service CMs' financial accounts~~ relevant Proprietary Account or Client Account (as applicable).

#### ~~2G.11.2.1.1.2~~ 1.11.2 *Reference Prices for daily settlement to market*

Should NODAL fail to determine Reference Prices, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible following such determination.

## ~~POSITION TRANSFERS~~

~~NODAL Service CMs will not have the functionality to affect a position transfer to another NODAL Service CM or between internal accounts.~~



## 1.12 Position Transfers

A Nodal Service Clearing Member may affect a transfer with agreement from the Clearing House. The Clearing House will effect such transfer (in conjunction with Nodal) within two days of receiving a request for such transfer from the relevant Receiving Nodal Service Clearing Member; provided, that the Nodal Service Clearing Member completes, to the satisfaction of the Clearing House, any documentation as required and provided by the Clearing House.

## 1.13 The NODAL Service Client Clearing

### 1.13.1 The NODAL Service Client Clearing – Ancillary Documentation

#### (a) Security Deed

Unless specified otherwise by the Clearing House, a NODAL Service 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 NODAL Service Clearing Member is required to ensure that it includes certain language in its agreement with its NODAL Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

NODAL Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[●]<sup>1</sup>

### 1.13.2 Backup Clearing Members

A NODAL Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the NODAL Contracts entered into by a NODAL Service Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a NODAL Service Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a NODAL Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to

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1 To insert web address upon the relevant website link going live

that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a NODAL Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that NODAL Contracts will always be transferred to that Backup Clearing Member. Porting of NODAL Contracts, following a NODAL Service Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.14 Indirect Clearing

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

- (a) in circumstances where (i) the NODAL Service 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 NODAL Service 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 NODAL 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**"); or
- (b) transfer the relevant Related NODAL Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant NODAL Service Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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 NODAL 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 NODAL Contracts to the NODAL Service Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.14.2 Each of the steps referred to in paragraphs 1.14.1(a) and 1.14.1(b) 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 NODAL Service Clearing Member to the relevant NODAL Clearing Client or from the relevant NODAL Clearing Client to the relevant NODAL Service 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 NODAL Service Clearing Member on the relevant NODAL Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that NODAL Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related NODAL 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 NODAL Service Clearing Member in a form suitable to the Clearing House

Unless contested by the relevant NODAL Clearing Client, the Clearing House will usually arrange a transfer of Related NODAL Contracts 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 NODAL Contract" means in respect of a transaction between a NODAL Service Clearing Member and a NODAL Clearing Client which has been terminated on an early termination date, the open position represented by the NODAL Contract entered into with the Clearing House by such NODAL Service Clearing Member on behalf of the relevant NODAL Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.14.2, the NODAL Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**SECTION 2I**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2H**

**THE HKMEX CLEARING SERVICE**

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CONTENTS

<u>Section</u>	<u>Page</u>
2I. HKMEx Service .....	3
2I.1 INTRODUCTION .....	3
2I.2 GENERAL .....	4
2I.3 HKMEx TRANSACTIONS .....	4
2I.4 CLEARING FOR HKMEx NON-CLEARING MEMBERS .....	5
2I.5 REGISTRATION OF HKMEx TRANSACTIONS .....	5
2I.6 POSITION AND FINANCIAL ACCOUNTS .....	6
2I.7 FEES .....	8
2I.8 MARGIN .....	9
2I.9 TAX .....	11
2I.10 SETTLEMENT OF HKMEx CONTRACTS .....	11
2I.11 POSITION TRANSFERS .....	11
2I.12 HKMEx Gold Deliveries .....	12
2I.13 HKMEx Silver Deliveries .....	19
APPENDIX A .....	26
BUYER ALLOCATION NOTICE FOR GOLD .....	26
APPENDIX B .....	27
SELLER ALLOCATION NOTICE FOR GOLD .....	27
APPENDIX C .....	28
ADP CONFIRMATION FOR GOLD .....	28
APPENDIX D .....	29
BUYER ALLOCATION NOTICE FOR SILVER .....	29
APPENDIX E .....	30
SELLER ALLOCATION NOTICE FOR SILVER .....	30
APPENDIX F .....	31
ADP CONFIRMATION FOR SILVER .....	31
APPENDIX G .....	32
SELLER ACCOUNT SALES – EXAMPLE ACCOUNT SALE: .....	32
APPENDIX H .....	33
BUYERS INVOICE – EXAMPLE INVOICE: .....	33
APPENDIX I .....	34
ECS & CLEARING HOUSE SYSTEM REQUIREMENTS .....	34
<u>1. THE HKMEx CLEARING SERVICE .....</u>	<u>1</u>
<u>1.1 Introduction .....</u>	<u>1</u>

<u>1.2</u>	<u>General .....</u>	<u>2</u>
<u>1.3</u>	<u>HKMEx Transactions.....</u>	<u>2</u>
<u>1.4</u>	<u>Registration of HKMEx Transactions .....</u>	<u>3</u>
<u>1.5</u>	<u>Proprietary Accounts and Client Accounts .....</u>	<u>3</u>
<u>1.6</u>	<u>Position and Collateral accounts .....</u>	<u>4</u>
<u>1.7</u>	<u>Fees.....</u>	<u>6</u>
<u>1.8</u>	<u>Margin .....</u>	<u>7</u>
<u>1.9</u>	<u>Tax.....</u>	<u>9</u>
<u>1.10</u>	<u>Settlement of HKMEx Contracts .....</u>	<u>10</u>
<u>1.11</u>	<u>Position Transfers.....</u>	<u>11</u>
<u>1.12</u>	<u>HKMEx Gold Deliveries.....</u>	<u>11</u>
<u>1.13</u>	<u>HKMEx Silver Deliveries .....</u>	<u>18</u>
<u>1.14</u>	<u>HKMEx Client Clearing.....</u>	<u>25</u>
<u>1.15</u>	<u>Indirect Clearing.....</u>	<u>26</u>
	<u>Schedule 1 Buyer Allocation Notice for Gold.....</u>	<u>28</u>
	<u>Schedule 2 Seller Allocation Notice for Gold .....</u>	<u>29</u>
	<u>Schedule 3 ADP Confirmation for Gold.....</u>	<u>30</u>
	<u>Schedule 4 Buyer Allocation Notice for Silver .....</u>	<u>31</u>
	<u>Schedule 5 Seller Allocation Notice for Silver.....</u>	<u>32</u>
	<u>Schedule 6 ADP Confirmation for Silver .....</u>	<u>33</u>
	<u>Schedule 7 Seller Account Sales - Example Account Sale.....</u>	<u>34</u>
	<u>Schedule 8 Buyers Invoice - Example Invoice .....</u>	<u>35</u>
	<u>Schedule 9 ECS &amp; Clearing House System Requirements .....</u>	<u>36</u>



# 1. THE HKMEX ~~SERVICE~~ CLEARING SERVICE

## ~~INTRODUCTION~~

### 1.1 Introduction

#### *Background*

1.1.1 : These HKMEx Service Procedures apply to the clearing of the Hong Kong Mercantile Exchange (HKMEx) Gold & Silver Futures Contract, which is being cleared by LCH.Clearnet Ltd (LCH.C).

HKMEx Service Clearing Members (“CM”) must inform themselves fully of their obligations under LCH.Clearnet Ltd Rulebook (the “Rulebook”) and other relevant documentation, including the Clearing Membership Agreement between LCH.Clearnet Ltd and the Clearing Member and the terms of any approval required by LCH.C.

CMs should also familiarise themselves with HKMEx’s Rules.

Please note that both the Rulebook (including these Procedures) and HKMEx’s Rules are subject to change from time to time.

Enquiries regarding these Procedures or any other aspects of the operation of the HKMEx Service should be directed to LCH.Clearnet Ltd -Operations and Client Servicing Department on +44 (0)20 7426 7689.

Enquiries regarding margining should be directed to LCH.Clearnet Ltd Margin Management Department on +44 (0)20 7426 7520

Enquiries on CM status should be directed to the LCH.Clearnet Ltd Membership Department on +44 (0)20 7426 7949 or ~~membership@lchclearnet.com~~ [membership@lchclearnet.com](mailto:membership@lchclearnet.com).

Enquiries relating to HKMEx’s Rules should be directed to HKMEx.

Full details of contact points may be found on LCH.Clearnet Ltd website (<http://www.lchclearnet.com>) and HKMEx’s website (~~http://www.hkmerc.com/hkmex/~~ <http://www.hkmerc.com/hkmex/>).

#### *Interpretation*

1.1.2 : Capitalised terms used in these Procedures have the meaning set out in the HKMEx Regulations unless otherwise specified.

Except where otherwise stated, all times shown are London time (BST/GMT) and the twenty four hour clock is used.



## MEMBERSHIP

1.1.3 *Membership*: A CM must comply with all LCH.Clearnet Ltd requirements and with any HKMEx requirements relating to participation in the HKMEx Trading System.

Details of how to be approved as a CM can be obtained from LCH.Clearnet Ltd Membership Department on +44 (0)20 7426 7627 / 7063/ 7891.

### *Submission of HKMEx Transactions for registration*

1.1.4 : CMs submit HKMEx Transactions for registration by LCH.Clearnet Ltd via the HKMEx Trading System. Transactions will be matched via the HKMEx Trading System and HKMEx will submit matched transactions to the LCH.Clearnet Ltd Extensible Clearing System (ECS). All transactions will be registered in the name of the relevant CM.

## GENERAL

### 1.2 **General**

#### ~~2.2.4~~1.2.1 *Operating Times*

##### *Opening Days*

(a) : Details of the days on which the HKMEx Service is operational will be published by LCH.Clearnet Ltd by Clearing Member Circular. Details of the HKMEx operational days (~~“HKMEx Business Days”~~) are available from HKMEx.

##### *Opening Hours*

(b) : The HKMEx Service will be operational from 08:00 to 23:00 hours HK time (the ~~“Opening Hours”~~) (00:00/01:00 to 15:00/16:00 UK time in GMT/BST respectively)

Certain facilities provided by the ECS system will remain open until 24:00 HK time to allow for HKMEx to complete activities such as position transfers, block trades, contra trades and the ~~“position adjustments”~~ functionality will be available to CMs directly via ECS.

CMs must familiarise themselves with those facilities that remain available between 23:00 and 24:00 HK time:

- the Position screens; and
- the Position adjustment screens.

CMs should note that where an HKMEx Transaction is submitted for clearing outside the Opening Hours, the particulars of that HKMEx Transaction will be rejected.

If valid still, the CM should submit a new transaction the following business day.

LCH.Clearnet Ltd will be operating the clearing of the HKMEx service in London hours. However, LCH.Clearnet Ltd will be providing “On-Call” support outside of UK working hours.

LCH.Clearnet Ltd Operations and Client Servicing teams will provide on call support between midnight and 0730 UK time for business critical issues only.

### **21.3 1.3 HKMEx ~~TRANSACTIONS~~ Transactions**

#### *Eligible Transactions*

1.3.1 : Trades (including EFPs/EFSs, Position Transfers, Give Ups, Contrats and Block trades) executed or registered through the HKMEx Trading System between CMs which satisfy all LCH.Clearnet Ltd requirements will be designated as HKMEx Transactions eligible for registration by the LCH.Clearnet Ltd.

#### ~~CLEARING FOR HKMEx NON-CLEARING MEMBERS~~

##### ~~HKMEx NCMs~~

~~All CMs may clear for one or more HKMEx NCMs. In order to do so, the following conditions must be satisfied at all times:~~

~~the HKMEx NCM is a participant  
Registration of the HKMEx and;~~

~~(ii) 1.4 the CM and the HKMEx NCM are party to a valid and enforceable agreement under which the CM agrees to clear HKMEx Transactions on behalf of such person.~~

~~Such agreement must confer the right on the CM, and the CM must lawfully be entitled at all times to pass to LCH.Clearnet Ltd, in accordance with Regulation 30, such information and data relating to the HKMEx NCM as LCH.Clearnet Ltd may in its sole discretion deem appropriate.~~

~~The static data form executed by both the HKMEx NCM and the CM shall be definitive proof of the CM clearing for an HKMEx NCM.~~

~~The LCH.Clearnet Ltd contracts with the CM alone and, to the fullest extent permitted by law, disclaims any duties or obligations to an HKMEx NCM.~~

~~Clearing Members should contact the LCH.Clearnet Membership department for further information on +44 (0)20 7426 7627 / 7063 / 7891.~~

### ~~Termination~~

~~The CM may terminate its agreement with an HKMEx NCM at any time but must provide written notice to both HKMEx and LCH.Clearnet Ltd no less than 21 days in advance of the termination date.~~

~~For the avoidance of doubt, termination by the CM of its agreement with an HKMEx NCM will be without prejudice to the CM's obligations arising from or in relation to any HKMEx Transaction or HKMEx Contacts arising prior to such termination.~~

## REGISTRATION OF HKMEx TRANSACTIONS

### *General*

1.4.1 : LCH.Clearnet Ltd requires the CMs in whose name a HKMEx Transaction is to be registered to provide it with ~~Collateral in respect of their~~cover for initial and variation margin ~~obligations~~ as a condition of registration as a HKMEx Contract.

### *Novation and Registration*

1.4.2 : LCH will register trades upon its receipt of the trade details from the HKMEx platform.

For trades matched on the platform, dispatch to LCH is immediate.

For all trades matched away from the platform (including but not limited to Block trades) HKMEx staff will enter the trade details into the HKMEx platform after carrying out validation checks to ensure that size and price are within the acceptable parameters set by LCH. The trade details of trades that fail the validation checks will be passed to LCH for further analysis. If necessary, LCH may call ~~for~~ further Collateral margin before allowing HKMEx staff to enter trade details into the platform.

Registration by LCH is effective provided that trades meet LCH's eligibility criteria for registration of a HKMEx contract, as provided by Regulation ~~89(i)~~88(k). LCH carries out checks to ensure the criteria are met following receipt of trade details from the HKMEx~~x~~ platform.

At registration, novation replaces each HKMEx Trade with two separate HKMEx Contracts: one between the selling CM and LCH.Clearnet Ltd and the other between the buying CM and LCH.Clearnet Ltd.

### *Notification*

1.4.3 : All HKMEx Contracts arising from registered HKMEx Transactions are listed on the CM Member Position and Trade reports available through the LCH.C members extranet.

## *Fungibility*

1.4.4 : Clearing Members are informed that there is no fungibility between HKMEx Gold, Silver and similar contracts cleared at LCH.Clearnet Ltd.

## ~~POSITION AND FINANCIAL ACCOUNTS~~

### 1.5 Proprietary Accounts and Client Accounts

#### 1.5.1 Proprietary Accounts

A CM 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 1.14 (HKMEx Client Clearing) below, a CM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(i) Individual Segregated Accounts;

(ii) Non-Identified Client Omnibus Net Segregated Account;

(iii) Identified Client Omnibus Net Segregated Accounts; and/or

(iv) 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 and Collateral accounts

#### ~~21.6.1~~1.6.1 *Position-Keeping Accounts*

#### *Types of Account*

(a) : Positions with regard to HKMEx Contracts are recorded within ECS in position-keeping accounts.

The position accounts can be organised into these core groups:

H [HKMEx Clearing House ~~\[excluding Clients\]~~<sup>†</sup> Business](#)

~~N Non-segregated client~~

~~S Segregated client~~

~~<sup>†</sup> The “house position keeping account” represents a Member’s principal business.~~

[S HKMEx Clearing Client Business](#)

All Clearing Members are provided with a **House "H" house account.** [The S account— will be used in respect of any HKMEx Service Clearing Member which engages in HKMEx Clearing Client Business.](#)

A Clearing Member may establish additional position-keeping accounts by specifying these in the HKMEx Static Data forms. The static data form provides the mechanism for a Clearing Member to designate the account into which a position is to be registered.

### *Basis of Position Keeping*

[1.6.2](#) : Typically Position accounts are setup to be either held Net or Gross.

The following describes the typical setup:

#### *Net Accounts*

[\(a\)](#) : Normally the following position-keeping account is held net, e.g. a position of bought one lot and sold two lots will be reported as sold one:

H House

Netting takes place before delivery allocation.

#### *Gross Accounts*

[\(b\)](#) : Normally the following position-keeping accounts are held gross e.g. a position of bought one lot and sold two lots will show both bought and sold positions:

~~N Non-segregated client~~

~~S Segregated client~~

[H HKMEx Clearing House Business](#)

[S HKMEx Clearing Client Business](#)

Where an account is a gross account, the CM may closeout open positions by the input of manual settlement of positions using the ECS position adjustment functionality.

If members require any LCH.Clearnet Ltd support for position adjustments, this will only be carried out during UK working hours via ECS

It is the responsibility of the CM to closeout correctly within ECS, if they do not and require any assistance this may incur having to input new trades at the CM cost.

### Financial Accounts

1.6.3 Collateral accounts: CM position-keeping accounts have ~~financial~~collateral accounts associated with them. These are, amongst other things, used to record cash balances, securities / documentary credits and non-realised margin.

Where appropriate, a ~~CM's financial~~CM's collateral accounts are identified by a single character code:

~~C for segregated client business;~~

~~H for house and non-segregated business. This financial~~ HKMEx Clearing House Business

S HKMEx Clearing Client Business

Only the H collateral account is obligatory. The S account will be used in respect of any HKMEx Service Clearing Member which engages in HKMEx Clearing Client Business.

Information contained within position-keeping accounts is consolidated ~~into financial accounts~~with the associated collateral account, as follows:

### Relationship with Position-keeping accounts

(a) : Typically the following mapping exists between position and ~~financial~~collateral accounts:

Position-keeping accounts	<del>Financial</del> <u>Collateral</u> account
H <u>HKMEx Clearing House Business</u>	H
<del>N Non-segregated client</del>	<del>H</del>
S <del>Segregated client</del> <u>HKMEx Clearing Client Business</u>	C

By instructing a transaction to be allocated to a position-keeping account, a CM is also deemed to be designating that transaction for the associated ~~financial~~collateral account.

~~Positions in Non-segregated client accounts are held separately from positions in the House account. However, the financial obligations of the House position account and the Non-segregated client position account are mapped to, and netted in, the financial House account.~~

Each client "S" position-keeping account and the client "C" collateral account of a HKMEx Service Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the HKMEx Service Clearing Member will map onto one such segregated sub-account in the client "S" 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 "S" position-keeping account and one such segregated sub-account in the client "C" collateral account.

### ~~Other Financial Accounts~~

(b) Collateral accounts: Subject to approval by the LCH.Clearnet Ltd, further ~~financial~~collateral accounts, used only to record financial balances, may be opened as follows:

	Code
Buffer account (House), used for holding <del>additional</del> <u>[B-]</u> <del>cash in relation to House business</del> <u>Excess</u>	
Buffer account (Client), used for holding <del>additional</del> <u>E[X]</u> <del>cash</del> <u>Client Excess</u> in relation to Client <del>business</del> <u>Excess</u>	
<del>Buyers' and Sellers' security account (client business) used for certain delivery contracts</del>	<del>X</del>
<del>Buyers' and Sellers' security account (house business) used for certain delivery contracts.</del>	<del>Z</del>

### *Default Fund (DF) Account*

(c) : Each CM's Default Fund Contribution is held on a separate ~~financial~~collateral account. In accordance with the Default ~~Fund~~ Rules this account attracts a rate of interest at 3 month LIBOR +1%. The Default Fund account code is F.

### ~~FEES~~

## 1.7 Fees

### *General*

1.7.1 : Fees arising for the provision of HKMEx Services will be collected monthly from the ~~CMs' financial~~CMs' collateral accounts.

Details of tariffs and any changes thereto will be notified to CMs by means of Clearing Member circular.

### *Execution Fees*

1.7.2 : Members are asked to note that, in respect of HKMEx Contracts, fees charged to CMs by LCH.Clearnet Ltd will include execution fees which LCH.Clearnet Ltd will collect on behalf of HKMEx in respect of the underlying trades executed through the HKMEx Trading System.

Details of execution fees and any changes thereto will be notified to CMs by HKMEx.

## **MARGIN**

### 1.8 Margin

For the purposes of the HKMEx Service, a "Reference Price" includes daily Settlement Price and final Settlement Price as used in the HKMEx Rules.

### *Variation Margin*

1.8.1 : In terms of Regulation ~~91~~88 HKMEx Contracts are settled to market daily (for position keeping accounts held net) or marked to market daily (for position keeping accounts held gross) by LCH.Clearnet Ltd in accordance with the relevant HKMEx Contract Terms. Profits or losses are either credited to or debited from CMs' relevant ~~financial~~collateral accounts (realised margin~~→~~) or they form non-realised contingent liabilities or credits in the event that the contracts are margined in this way).

Separate variation margin calculations are performed for a CM's house "H" account and for each "C" Client Account which is a sub account of a HKMEx Service Clearing Member'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.

### *Realised Margin*

(a) : Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant daily Settlement Price with the value of positions recorded i.e. the Traded Price for new trades and the previous day's daily Settlement Price for other positions. The currency of this margin amount will be the same as the currency denomination of the contract's reference price.

### *Non-Realised Variation Margin (Delivery Margin)*

(b) : Non-realised variation margin is calculated as the difference between the next month's daily settlement price and the final Settlement Price of the expired contract for all positions in delivery.



Non-realised variation margin is applicable to HKMEX Gold and Silver during the delivery period and has an offset against Initial Margin of 100%.

### *Buyer's Security*

(c) : During the delivery period, HKMEX Gold and Silver contracts require that buyer's security is lodged with LCH.Clearnet Ltd. LCH.Clearnet Ltd will call buyer's security from the end of day clearing run on LTD+2, which is confirmed with LCH.Clearnet Ltd Treasury Operations by 09:00 UK time (16:00/17:00 HK time) on LTD+3.

### *Initial Margin*

1.8.2 : Separate initial margin calculations are performed for a CM's house "H" account and ~~client~~ "for each "C" ~~accounts; no offset~~ " Client Account which is a sub account of a HKMEX Service Clearing Member's Client Account. No offset between these 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.

Accounts are margined net, meaning that if long and short positions are held in the same delivery month Initial Margin is ~~calculated by reference to~~ charged on the net position.

~~Collateral provided in respect of initial margin obligations~~ Initial Margin need not be in the same currency as the contracts traded.

A list of acceptable €collateral can be found at the following location:

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

### *Initial Margin Parameters*

(a) : Initial margin parameters are set by LCH.Clearnet Ltd.

However, in accordance with the HKMEX Regulations, LCH.Clearnet Ltd retains the discretion to vary the rates for the whole market or for a CM's house and/or ~~client accounts~~ Client Accounts.

CMs will be notified by LCH.Clearnet Ltd of alterations to initial margin parameters no later than the day before calls are made based on the new rates.

### *Intra-day Margin Calls*

(b) : In accordance with the Regulations, LCH.Clearnet Ltd is entitled to make additional margin calls for ~~Collateral to be transferred~~ payment the same day (intra-day margin calls) where it considers it necessary.

In addition, LCH.Clearnet Ltd may call intra-day on a specific CM should it feel the need to do so or upon any advice or instruction from HKMEx.

Intra-day margin calls will be made through the protected payments system (~~“PPS”~~) in London (~~“UK PPS”~~) or the USA (~~“US PPS”~~).

In case of exceptional price movements in the Gold and Silver prices during pre-UK PPS opening hours, LCH.Clearnet Ltd may make an ad-hoc intra-day margin call to the HKMEx Clearing Members.

As the UK/ US PPS will be closed during this period HKMEx Clearing Members will be required to fund these calls by crediting a Hong Kong based LCH.Clearnet Ltd Asian Corresponding USD bank account within one hour of the margin call.

### **21.8.2.3(c)** Calculation of Initial Margin: London SPAN:

#### **London SPAN:**

Initial ~~margin obligations~~margins are re-calculated at the close of each business day using the London SPAN algorithm which is an adaptation of the SPAN method developed by the Chicago Mercantile Exchange.

The Chicago Mercantile Exchange (CME) permitted LCH.Clearnet Ltd to adapt the CME specifications for SPAN to produce London SPAN, which meets the particular requirements of the London futures and options markets. ~~“SPAN [TM] ®”~~ is a registered trademark of the CME. The CME assumes no liability in connection with the use of SPAN or London SPAN by any person or entity.

For full details of how London SPAN calculates ~~margin obligations~~margins, reference should be made to the SPAN technical information package (available from LCH.Clearnet Ltd Service Desk).

Technical questions should be directed to LCH.Clearnet Ltd Risk Management Department on +44 (0) 20 7426 7520.

## **TAX**

### **1.9 Tax**

CMs should take their own advice regarding any taxation liabilities in any country in which a liability to pay tax may arise.

In the event that LCH.Clearnet Ltd incurs any liability to pay any tax in respect of or in connection with any HKMEx Contract, it shall have the right to require reimbursement of such tax liability, together with any costs and expenses incurred by LCH.Clearnet Ltd in connection with the administration and processing of such tax liability, from the CM who is or was party to that HKMEx Contract, and whom, in the

Clearing House's opinion should be responsible for meeting such tax liability, costs and expenses. LCH.Clearnet Ltd will collect such payments through PPS.

## SETTLEMENT OF

## ~~2.10~~ 1.10 Settlement of HKMEx ~~CONTRACTS~~ Contracts

HKMEx Contracts are physically delivered contracts.

### *Physical Delivery*

1.10.1 : See ~~Sections 2.12~~ Clauses 1.12 and ~~2.13~~ 1.13 of these Procedures for full provisions applicable to physical delivery.

### *Reference Prices for daily settlement to market*

1.10.2 : HKMEx will determine all the reference prices in respect to any HKMEx contract.

Should HKMEx fail to determine Reference Prices, LCH.Clearnet Ltd will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible following such determination.

### *Cash Settlement*

1.10.3 : Cash settlement is a final settlement derived by HKMEx in the case of a physical default. HKMEx will determine the price as specified in the HKMEx Rules.

This is debited from or credited to the ~~CMs' financial~~ CMs' collateral accounts.

## ~~POSITION TRANSFERS~~

## 1.11 Position Transfers

CMs wishing to effect a position transfer to another CM or within their ~~own accounts~~ Proprietary Accounts should submit a request to HKMEx via the process defined in the HKMEx Rules by 23:00 HKT on any HKMEx Business Day.

Position transfers can only be executed on HKMEx Business Days and within HKMEx business hours.

In the case of position transfers, LCH.Clearnet Limited pre-approval may be required depending on the Clearing Member accounts involved and the size of the transfer. LCH.Clearnet Ltd Risk will review the transfer and check cover. The time taken to review the transfer will depend on the volumes and number of transfers.

## ~~2.12~~ 1.12 HKMEx Gold Deliveries

~~Precious metal commodities must be physically stored by depositories approved by HKMEx (Approved Depositories) for the purpose of delivery against the HKMEx futures contracts. Clearing Members must hold an account with the Approved Depositories, or must have appointed a settlement agent who holds an account at the relevant Approved Depositories, to enable each Clearing Member to fulfil its obligations to make or take delivery under the HKMEx Contract. HKMEx will maintain and publish a list of Approved Depositories for Members' reference.~~

~~HKMEx Service Clearing Members with open positions at cessation of trading are obliged to make/take delivery.~~

~~When making or taking delivery, Clearing Members must be fully conversant with these Procedures, the contents of Clearing Member circulars and the HKMEx Rules (including without limitation Contract Terms, Administrative Procedures and HKMEx notices).~~

~~Terms used in these Procedures which are not defined in LCH.Clearnet Ltd General Regulations shall bear the meaning set out in the HKMEx Rules.~~

~~In relation to deliveries only, in the event of any conflict between these Procedures and the HKMEx Rules, the latter shall take precedence.~~

Precious metal commodities must be physically stored by depositories approved by HKMEx (Approved Depositories) for the purpose of delivery against the HKMEx futures contracts. Clearing Members must hold an account with the Approved Depositories, or must have appointed a settlement agent who holds an account at the relevant Approved Depositories, to enable each Clearing Member to fulfil its obligations to make or take delivery under the HKMEx Contract. HKMEx will maintain and publish a list of Approved Depositories for Members' reference.

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Terms used in these Procedures which are not defined in LCH.Clearnet Ltd General Regulations shall bear the meaning set out in the HKMEX Rules.

In relation to deliveries only, in the event of any conflict between these Procedures and the HKMEX Rules, the latter shall take precedence.

A selling CM with an open sale contract has the obligation to make delivery during the times and in the manner stipulated in the HKMEX Rules.

Throughout these delivery Procedures, the term "Buyer" is used to refer to the buying CM and "Seller" to the selling CM and not to any other person unless otherwise stipulated.

A Seller must arrange for delivery of the gold underlying the contract to the account of the Buyer within HKMEX Approved Depository and the Buyer must pay LCH.Clearnet Ltd against receipt of the gold.

LCH.Clearnet Ltd will direct CMs who are Buyers or Sellers under open contracts to perform delivery and payment obligations. In such correspondence LCH.Clearnet Ltd may refer to Buyer and/or Seller using Clearing Member mnemonics as specified on the LCH website at <http://www.lchclearnet.com/commodities/hkmex/>.

HKMEX will manage all relationships and commitments of their Approved Depository in relation to all activities where the Depository is required.

This includes if there are any problems or disputes with the CM and the Depository, it will manage such issues if required.

There will be no recourse to LCH.Clearnet Ltd should the Depository be unable to carry out any of its commitments during the Delivery period.

#### **21.12.1.12.1** *Delivery Specification*

##### *Quality and Quantity*

(a) : Quality and quantity are as per HKMEX's contract specification.

##### *Price*

(b) : The final settlement price shall be determined on the Last Trading Day of the contract. The final settlement price shall be based on the contract trading data, other relevant market indicator, or the decision by the President of the HKMEX, in accordance with the HKMEX Rules.

Scope

(c) : HKMEx Gold contracts are for the sale and delivery by the Seller to the Buyer, out of a HKMEx approved depository. This takes place on the delivery day in accordance with the HKMEx Rules.

~~21.12.2~~ 21.12.2 Days and Times: Unless otherwise stated, "day" means a "Hong Kong business day".

~~Unless otherwise stated, "day" means a "Hong Kong business day".~~

All "timings" or "times of day" are reflected as GMT/BST time (minus 8/7hrs respectively) against HK times. Where there is a fixed time the prevailing time is shown first.

~~21.12.2.1~~ 21.12.2.1(a) Delivery Timetable

DAY	UKT TIME	HKT TIME	ACTION	
			SELLERS	BUYERS
Last Trading Day	At 15:00 /16:00	At 23:00	Trading in spot month contracts ceases.	Trading in spot month contracts ceases.
Last Trading Day +1	By 12:00	By 20:00 /19:00	HIT report available on Member Reporting extranet site.	HIT report available on Member Reporting extranet site.
	By 15:00	By 23:00 /22:00	LCH.Cleernet Ltd allocates Sellers to Buyers.	LCH.Cleernet Ltd allocates Sellers to Buyers.
Last Trading Day +2	By 08:00 /09:00	By 16:00	Submit any agreed ADPs.	Submit any agreed ADPs.
	By 08:00 /09:00	By 16:00	Submit Authorisation form for Book Transfer to the Approved Depository and LCH.Cleernet Ltd.	
	By 08:00 /09:00	By 16:00	Inform LCH.Cleernet Ltd of being unable to deliver.	LCH.Cleernet Ltd informs buyer(s) of any delivery failures as soon as

DAY	UKT TIME	HKT TIME	ACTION	
				possible.
Last Trading Day +3	By 00:00/ 01:00  By 09:00	By 08:00  By 17:00/ 16:00	Informed of Account Sale amount from LCH.Clearnet Ltd via Member Reporting.	Informed of Invoice amount from LCH.Clearnet Ltd via Member Reporting.  Buyer provides Buyer's security to the Clearing House.
Last Trading Day +4	By 11:00/ 12:00  From 09:00  After 19:00	By 19:00  17:00/ 16:00  After 03:00/ 02:00	Receipt of confirmation from Depository that Book Transfer to buyer has been completed and gold holdings have been updated.  Seller receives Account Sale value from the Clearing House.  Delivery Positions removed.	Receipt of confirmation from Depository that Book Transfer from seller has been completed and gold holdings have been updated.  Receipt Positions removed.

### *Delivery Procedure*

(b): HKMEx sets the last trading date for HKMEx Gold Futures. Trading for a contract month will normally cease on the second Monday of the contract month. The Last Trading Day may be postponed to the next Business Day if the second Monday is not a Business Day.

### *Last Trading Day (LTD)*

(c): At 23:00 HKT (15:00/ 16:00 UKT)

Trading in the spot month contracts ceases.

### *Open Positions subject to Physical Delivery*

(d): Members must ensure that the open spot month positions are closed out on or before 24:00 HKT if physical delivery is not intended.



At 24:00 HKT, open contracts in the expiring contract month become open delivery contracts - HKMEx Service Clearing Members are obliged to make or take delivery.

**21.12.2.5(e)** First Business Day after LTD (LTD+1)

**Open Positions subject to Physical Delivery**

**HIT Report**

By 12:00 UKT (20:00/ 19:00 HKT)

Members must ensure that the open spot month positions are closed out via ECS by 12:00 UKT if physical delivery is not intended.

At 12:00 UKT, open contracts in the expiring contract month will become open delivery contracts. Members are obliged to make/take delivery.

LCH.Clearnet Ltd makes the HIT report available to Members on the Member Reporting extranet site.

**Allocation Results**

By 15:00 UKT (23:00/ 22:00 HKT)

LCH.Clearnet Ltd allocates open positions to Buyers based on allocation algorithm derived by HKMEx and LCH.Clearnet Ltd.

The buyer's allocation results (Appendix A) will consist of an allocation number, the seller and the number of lots.

The seller's allocation results (Appendix B) will consist of an allocation number, the buyer and the number of lots.

LCH.Clearnet Ltd publishes the allocation results to Members on the Member Reporting extranet site advising each Buyer of the identity of the Seller(s) from whom they will be receiving delivery and advising the Seller of the identity of the Buyer(s) to whom they must deliver.

**21.12.2.6(f)** Second Business Day after LTD (LTD+2)

**Alternative Delivery Procedure (ADP)**

By 16:00 HKT (08:00/ 09:00 UKT)

Upon receipt of the allocation results from LCH.Clearnet Ltd the selling Clearing Member can agree with the buying Clearing Member to undertake delivery outside the HKMEx Rules. Both parties must advise LCH.Clearnet Ltd using the relevant *Confirmation of Agreed ADP (Appendix C)* form.

ADP requests can be submitted to LCH.Clearnet Ltd on LTD+1, however *Confirmation of Agreed ADP* forms received after 16:00 UKT (24:00/23:00 HKT) on LTD+1, will be deemed to have been received on the next business day.

Upon approval of the ADP, LCH.Clearnet Ltd will settle the contracts at the Final Settlement Price between the Buyer and Seller.

### **Submission of Authorisation Form for Book Transfer**

By 16:00 HKT (08:00/ 09:00 UKT)

Clearing Members who need to make delivery of the gold must submit the Authorisation for Metal Transfer Form (refer to the Exchange procedures for a copy of the form) as prescribed by the Approved Depository by specifying the details of the gold and the details of the buying Clearing Member on the form.

The deadline for submission of the Authorisation for Metal Transfer Form to the Approved Depository by email is 16:00 HKT (08:00/09:00 UKT) on LTD+2. In addition, the Clearing Members must also submit a copy of the Authorisation for Gold Transfer Form to LCH.Clearnet Ltd via email to [LCHOperations-commodities@LCHClearnet.com](mailto:LCHOperations-commodities@LCHClearnet.com) by no later than 16:00 HKT (08:00/09:00 UKT) on LTD+2.

### **Delivery Failure Notification**

By 16:00 HKT (08:00/ 09:00 UKT)

Clearing Members who do not have sufficient gold for delivery or fail to submit the Authorisation for Metal Transfer Form to LCH.Clearnet Ltd and the Depository are deemed by HKMEX to have committed a delivery failure and must notify LCH.Clearnet Ltd and HKMEX as soon as possible, but no later than 16:00 HKT (08:00/09:00 UKT) on LTD+2.

If there is a delivery failure, HKMEX will instruct cash settlement. LCH.Clearnet Ltd shall inform the buying Clearing Member accordingly.

### **Invoice Amount Calculation**

After 19:00 UKT (03:00/ 02:00 HKT)

After receipt of the Depository Adjustment file from the Depository, LCH.Clearnet Ltd will calculate the Invoice and Account Sales amounts based on the Final Settlement Price and any adjustments of the gold detailed in the Depository Adjustment file.

**21.12.2.7(g)** Third Business Day after LTD (LTD+3)

### **Invoice Amount**

By 08:00 HKT (00:00/ 01:00 UKT)

After the End of Day clearing run on LTD+2 Clearing Members will be able to view their Invoice & Account Sales reports on the Member Reporting extranet site.

### **Buyers Security**

By 09:00 UKT (16:00/ 17:00 HKT)

The buyer must provide LCH.Clearnet Ltd with the following buyer's security:

~~(a)~~ (i) The invoice amount

Or

*An amount specified by LCH.Clearnet Ltd*

(ii) : The ~~buyer's Collateral provided in respect of its~~ buyer's initial and contingent variation margin ~~obligations~~ is released on receipt of buyer's security. (Please note: these funds will be returned during the overnight banking run and will arrive at the buyer's account by 09.00 UKT on LTD+4).

*Delivery Day (LTD+4)*

(h) : The timings described in this ~~Section 21.12.2.8~~ paragraph (h) are deadline times of when activities can occur ~~"at"~~ "at", begin ~~"from"~~ "from" or end ~~"by"~~ "by".

### **Transfer of Gold Ownership**

By 15:00 HKT (07:00/ 08:00 UKT)

HKMEx (on instruction from LCH.Clearnet Ltd) will notify the Approved Depository to initiate the transfer of the gold from the selling Clearing Member's gold deposit account maintained within the Approved Depository to that of the buying Clearing Member.

### **Confirmation of Book Transfer**

By 19:00 HKT (11:00/ 12:00 UKT)

The Approved Depository confirms completion of the Book Transfer to HKMEx which in turn notifies LCH.C.

### **Payments**

#### **Invoices**

At 09:00 UKT (16:00/ 17:00 HKT)

LCH.Clearnet Ltd transfers the Invoice amount from the Buyer's<sup>2</sup> security account to the Buyer's<sup>2</sup> tender account.

### **Account Sales**

From 09:00 UKT (16:00/ 17:00 HKT)

Upon receipt of confirmation from HKMEx that the Book Transfer has been completed, the Account Sale amount is posted to the Seller's<sup>2</sup> tender account and paid to the Seller via reverse PPS payment.

### **Cancellation of Delivery and Receipt Positions**

After 19:00 UKT (03:00/ 02:00 HKT)

Upon completion of the delivery process, LCH.Clearnet Ltd will remove all the delivery and receipt positions from the Clearing Members after the End of Day clearing process.

## **21.12.3** 1.12.3 *Delivery Failure Procedures*

### *Delivery Failure*

(a) : By 16:00 HKT (08:00/ 09:00 UKT) on LTD+2

Clearing Members who do not have sufficient gold for delivery or fail to submit the Authorisation for Metal Transfer Form to LCH.Clearnet Ltd and the Approved Depository are deemed to have committed a delivery failure pursuant to Exchange Rules.

CMs must notify LCH.Clearnet Ltd of any delivery failure as soon as possible, but no later than 16:00 HKT (08:00/09:00 UKT) on LTD+2. If no Authorisation for Metal Transfer Form has been received then delivery failure is automatically assumed. LCH.Clearnet Ltd will inform HKMEx and the buying Clearing Member accordingly.

HKMEx will forward the Failed Delivery details on to its Compliance department where further investigations and necessary actions, including the imposition of fines or a penalty may occur (see Exchange Rules<sup>2</sup>).

### *Cash Settlement Amount*

(b) : In the event of a Clearing Member's<sup>2</sup> failure to fulfil its delivery obligations, HKMEx will determine a new Settlement price at which the Failed Deliveries will be cash settled and inform LCH.Clearnet Ltd.

At 09:00 UKT (16:00/ 17:00 HKT) on LTD+4

LCH.Clearnet Ltd will produce the appropriate invoice(s) and credit note(s) in order to cash settle any failed deliveries and call/pay the relevant amounts at this time.

Any settlement and/or related penalties would be at a price determined by HKMEX and penalties invoiced via LCH.Clearnet Ltd.

### **21.13** 1.13 **HKMEX Silver Deliveries**

Precious metal commodities must be physically stored by depositories approved by HKMEX (Approved Depositories) for the purpose of delivery against the HKMEX futures contracts. Clearing Members must hold an account with the Approved Depositories, or must have appointed a settlement agent who holds an account at the relevant Approved Depositories, to enable each Clearing Member to fulfil its obligations to make or take delivery under the HKMEX Contract. HKMEX will maintain and publish a list of Approved Depositories for Members<sup>21</sup> reference.

~~HKMEX Service Clearing Members with open positions at cessation of trading are obliged to make/take delivery.~~

~~When making or taking delivery, Clearing Members must be fully conversant with these Procedures, the contents of Clearing Member circulars and the HKMEX Rules (including without limitation Contract Terms, Administrative Procedures and HKMEX notices).~~

~~Terms used in these Procedures which are not defined in LCH.Clearnet Ltd General Regulations shall bear the meaning set out in the HKMEX Rules.~~

~~In relation to deliveries only, in the event of any conflict between these Procedures and the HKMEX Rules, the latter shall take precedence.~~

HKMEX Service Clearing Members with open positions at cessation of trading are obliged to make/take delivery.

When making or taking delivery, Clearing Members must be fully conversant with these Procedures, the contents of Clearing Member circulars and the HKMEX Rules (including without limitation Contract Terms, Administrative Procedures and HKMEX notices).

Terms used in these Procedures which are not defined in LCH.Clearnet Ltd General Regulations shall bear the meaning set out in the HKMEX Rules.

In relation to deliveries only, in the event of any conflict between these Procedures and the HKMEX Rules, the latter shall take precedence.

A selling CM with an open sale contract has the obligation to make delivery during the times and in the manner stipulated in the HKMEX Rules

Throughout these delivery Procedures, the term "Buyer" is used to refer to the buying CM and "Seller" to the selling CM and not to any other person unless otherwise stipulated.

A Seller must arrange for delivery of the Silver underlying contract to the account of the Buyer within HKMEx Approved Depository and the Buyer must pay LCH.Clearnet Ltd against receipt of the Silver.

LCH.Clearnet Ltd will direct CMs who are Buyers or Sellers under open contracts to perform delivery and payment obligations. In such correspondence LCH.Clearnet Ltd may refer to Buyer and/or Seller using Clearing Member mnemonics as specified on the LCH website at <http://www.lchclearnet.com/commodities/hkmex/>.

HKMEx will manage all relationships and commitments of their Approved Depository in relation to all activities where the Depository is required.

This includes if there are any problems or disputes with the CM and the Depository, it will manage such issues if required.

There will be no recourse to LCH.Clearnet Ltd should the Depository be unable to carry out any of its commitments during the Delivery period.

**21.13.1** 1.13.1 *Delivery Specification*

**21.13.1.1(a)** Quality and Quantity: Quality and quantity are as per HKMEx's contract specification.

~~Quality and quantity are as per HKMEx's contract specification.~~ ~~Price~~

**(b)** Price: The final settlement price shall be determined on the Last Trading Day of the contract. The final settlement price shall be based on the contract trading data, other relevant market indicator, or the decision by the President of the HKMEx, in accordance with the HKMEx Rules.

*Scope*

**(c)** : HKMEx Silver contracts are for the sale and delivery by the Seller to the Buyer, out of an HKMEx approved depository. This takes place on the delivery day in accordance with the HKMEx Rules.

**21.13.2** 1.13.2 *Days and Times: Unless otherwise stated, "day" means a "Hong Kong business day".*

~~Unless otherwise stated, "day" means a "Hong Kong business day".~~

All "timings" or "times of day" are reflected as GMT/BST time (minus 8/7hrs respectively) against HK times. Where there is a fixed time the prevailing time is shown first.

**21.13.2.1(a)** Delivery Timetable

DAY	UKT TIME	HKT TIME	ACTION
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DAY	UKT TIME	HKT TIME	ACTION	
			SELLERS	BUYERS
Last Trading Day	At 15:00 /16:00	At 23:00	Trading in spot month contracts ceases.	Trading in spot month contracts ceases.
Last Trading Day +1	By 12:00	By 20:00 /19:00	HIT report available on Member Reporting extranet site.	HIT report available on Member Reporting extranet site.
	By 15:00	By 23:00 /22:00	LCH.Clearnet Ltd allocates Sellers to Buyers.	LCH.Clearnet Ltd allocates Sellers to Buyers.
Last Trading Day +2	By 08:00 /09:00	By 16:00	Submit any agreed ADPs.	Submit any agreed ADPs.
	By 08:00 /09:00	By 16:00	Submit Authorisation form for Book Transfer to the Approved Depository and LCH.Clearnet Ltd.	
	By 08:00 /09:00	By 16:00	Inform LCH.Clearnet Ltd of being unable to deliver.	
				LCH.Clearnet Ltd informs buyer(s) of any delivery failures as soon as possible.
Last Trading Day +3	By 00:00/ 01:00	By 08:00	Informed of Account Sale amount from LCH.Clearnet Ltd via Member Reporting.	Informed of Invoice amount from LCH.Clearnet Ltd via Member Reporting.
	By 09:00	By 17:00/ 16:00		Buyer provides Buyer's security to the Clearing House.

DAY	UKT TIME	HKT TIME	ACTION	
Last Trading Day +4	By 11:00/ 12:00	By 19:00	Receipt of confirmation from Depository that Book Transfer to buyer has been completed and silver holdings have been updated.	Receipt of confirmation from Depository that Book Transfer from seller has been completed and silver holdings have been updated.
	From 09:00	17:00/ 16:00	Seller receives Account Sale value from the Clearing House.	
	After 19:00	After 03:00/ 02:00	Delivery Positions removed.	Receipt Positions removed.

### *Delivery Procedure*

(b) : HKMEx sets the last trading date for HKMEx Silver Futures. Trading for a contract month will normally cease on the Third Monday of the contract month. The Last Trading Day may be postponed to the next Business Day if the second Monday is not a Business Day.

### *Last Trading Day (LTD)*

(c) : At 23:00 HKT (15:00/ 16:00 UKT)

Trading in the spot month contracts ceases.

### *Open Positions subject to Physical Delivery*

(d) : Members must ensure that the open spot month positions are closed out on or before 24:00 HKT if physical delivery is not intended.

At 24:00 HKT, open contracts in the expiring contract month become open delivery contracts - HKMEx Service Clearing Members are obliged to make or take delivery.

**2.13.2.5(e)** (e) *First Business Day after LTD (LTD+1)*

### **Open Positions subject to Physical Delivery**

#### **HIT Report**

By 12:00 UKT (20:00/ 19:00 HKT)



Members must ensure that the open spot month positions are closed out via ECS by 12:00 UKT if physical delivery is not intended.

At 12:00 UKT, open contracts in the expiring contract month will become open delivery contracts. Members are obliged to make/take delivery.

LCH.Clearnet Ltd makes the HIT report available to Members on the Member Reporting extranet site.

### **Allocation Results**

By 15:00 UKT (23:00/ 22:00 HKT)

LCH.Clearnet Ltd allocates open positions to Buyers based on allocation algorithm derived by HKMEx and LCH.Clearnet Ltd.

The buyer's allocation results (Appendix D) will consist of an allocation number, the seller and the number of lots.

The seller's allocation results (Appendix E) will consist of an allocation number, the buyer and the number of lots.

LCH.Clearnet Ltd publishes the allocation results to Members on the Member Reporting extranet site advising each Buyer of the identity of the Seller(s) from whom they will be receiving delivery and advising the Seller of the identity of the Buyer(s) to whom they must deliver.

### **21.13.2.6(f) Second Business Day after LTD (LTD+2)**

#### **Alternative Delivery Procedure (ADP)**

By 16:00 HKT (08:00/ 09:00 UKT)

Upon receipt of the allocation results from LCH.Clearnet Ltd the selling Clearing Member can agree with the buying Clearing Member to undertake delivery outside the HKMEx Rules. Both parties must advise LCH.Clearnet Ltd using the relevant *Confirmation of Agreed ADP (Appendix F)* form.

ADP requests can be submitted to LCH.Clearnet Ltd on LTD+1, however *Confirmation of Agreed ADP* forms received after 16:00 UKT (24:00/23:00 HKT) on LTD+1, will be deemed to have been received on the next business day.

Upon approval of the ADP, LCH.Clearnet Ltd will settle the contracts at the Final Settlement Price between the Buyer and Seller.

#### **Submission of Authorisation Form for Book Transfer**

By 16:00 HKT (08:00/ 09:00 UKT)

Clearing Members who need to make delivery of the Silver must submit the Authorisation for Metal Transfer Form (refer to the Exchange procedures for a copy of the form) as prescribed by the Approved Depository by specifying the details of the Silver and the details of the buying Clearing Member on the form.

The deadline for submission of the Authorisation for Metal Transfer Form to the Approved Depository by email is 16:00 HKT (08:00/09:00 UKT) on LTD+2. In addition, the Clearing Members must also submit a copy of the Authorisation for Silver Transfer Form to LCH.Clearnet Ltd via email to [LCHOperations-commodities@LCHClearnet.com](mailto:LCHOperations-commodities@LCHClearnet.com) by no later than 16:00 HKT (08:00/09:00 UKT) on LTD+2.

### **Delivery Failure Notification**

By 16:00 HKT (08:00/ 09:00 UKT)

Clearing Members who do not have sufficient Silver for delivery or fail to submit the Authorisation for Metal Transfer Form to LCH.Clearnet Ltd and the Depository are deemed by HKMEX to have committed a delivery failure and must notify LCH.Clearnet Ltd and HKMEX as soon as possible, but no later than 16:00 HKT (08:00/09:00 UKT) on LTD+2.

If there is a delivery failure, HKMEX will instruct cash settlement. LCH.Clearnet Ltd shall inform the buying Clearing Member accordingly.

### **Invoice Amount Calculation**

After 19:00 UKT (03:00/ 02:00 HKT)

After receipt of the Depository Adjustment file from the Depository, LCH.Clearnet Ltd will calculate the Invoice and Account Sales amounts based on the Final Settlement Price and any adjustments of the Silver detailed in the Depository Adjustment file.

### **21.13.2.7(g) *Third Business Day after LTD (LTD+3)***

#### **Invoice Amount**

By 08:00 HKT (00:00/ 01:00 UKT)

After the End of Day clearing run on LTD+2 Clearing Members will be able to view their Invoice & Account Sales reports on the Member Reporting extranet site.

#### **Buyers Security**

By 09:00 UKT (16:00/ 17:00 HKT)

The buyer must provide LCH.Clearnet Ltd with the following buyer's security:

~~(a)~~ (i) *The invoice amount*

Or

*An amount specified by LCH.Clearnet Ltd*

(ii) : The ~~buyer's Collateral provided in respect of its~~ buyer's initial and contingent variation margin ~~obligations~~ is released on receipt of buyer's security. (Please note: these funds will be returned during the overnight banking run and will arrive at the buyer's account by 09.00 UKT on LTD+4).

~~Delivery Day (LTD+4)~~

(h) : The timings described in this ~~Section 2I.13.2.8~~ paragraph (h) are deadline times of when activities can occur ~~"at"~~ "at", begin ~~"from"~~ "from" or end ~~"by"~~ "by".

### **Transfer of Silver Ownership**

By 15:00 HKT (07:00/ 08:00 UKT)

HKMEx (on instruction from LCH.Clearnet Ltd) will notify the Approved Depository to initiate the transfer of the Silver from the selling Clearing Member's Silver deposit account maintained within the Approved Depository to that of the buying Clearing Member.

### **Confirmation of Book Transfer**

By 19:00 HKT (11:00/ 12:00 UKT)

The Approved Depository confirms completion of the Book Transfer to HKMEx which in turn notifies LCH.C.

### **Payments**

#### **Invoices**

At 09:00 UKT (16:00/ 17:00 HKT)

LCH.Clearnet Ltd transfers the Invoice amount from the Buyer's security account to the Buyer's tender account.

#### **Account Sales**

From 09:00 UKT (16:00/ 17:00 HKT)

Upon receipt of confirmation from HKMEx that the Book Transfer has been completed, the Account Sale amount is posted to the Seller's tender account and paid to the Seller via reverse PPS payment.

## **Cancellation of Delivery and Receipt Positions**

After 19:00 UKT (03:00/ 02:00 HKT)

Upon completion of the delivery process, LCH.Clearnet Ltd will remove all the delivery and receipt positions from the Clearing Members after the End of Day clearing process.

### **21.13.3** 1.13.3 *Delivery Failure Procedures*

#### *Delivery Failure*

(a) : By 16:00 HKT (08:00/ 09:00 UKT) on LTD+2

Clearing Members who do not have sufficient Silver for delivery or fail to submit the Authorisation for Metal Transfer Form to LCH.Clearnet Ltd and the Approved Depository are deemed to have committed a delivery failure pursuant to Exchange Rules.

CMs must notify LCH.Clearnet Ltd of any delivery failure as soon as possible, but no later than 16:00 HKT (08:00/09:00 UKT) on LTD+2. If no Authorisation for Metal Transfer Form has been received then delivery failure is automatically assumed. LCH.Clearnet Ltd will inform HKMEX and the buying Clearing Member accordingly.

HKMEX will forward the Failed Delivery details on to its Compliance department where further investigations and necessary actions, including the imposition of fines or a penalty may occur (see Exchange Rules)

#### *Cash Settlement Amount*

(b) : In the event of a Clearing Member's failure to fulfill its delivery obligations, HKMEX will determine a new Settlement price at which the Failed Deliveries will be cash settled and inform LCH.Clearnet Ltd.

At 09:00 UKT (16:00/ 17:00 HKT) on LTD+4

LCH.Clearnet Ltd will produce the appropriate invoice(s) and credit note(s) in order to cash settle any failed deliveries and call/pay the relevant amounts at this time.

Any settlement and/or related penalties would be at a price determined by HKMEX and penalties invoiced via LCH.Clearnet Ltd.

**APPENDIX A****BUYER ALLOCATION NOTICE FOR GOLD****LCH.CLEARNET LTD****ALDGATE HOUSE, 33 ALDGATE HIGH ST, LONDON EC3N 1EA**

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**1.14 HKMEx Client Clearing****1.14.1 HKMEx Client Clearing – Ancillary Documentation**

(a) Security Deed: Unless specified otherwise by the Clearing House, an HKMEx 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 HKMEx Service Clearing Member is required to ensure that it includes certain language in its agreement with its HKMEx Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

HKMEx Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[•]<sup>1</sup>

1.14.2 Backup Clearing Members: An HKMEx Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the HKMEx Contracts entered into by an HKMEx Service Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of an HKMEx Service Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of an HKMEx Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

1 To insert web address upon the relevant website link going live

Note: The appointment by an HKMEx Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that HKMEx Contracts will always be transferred to that Backup Clearing Member. Porting of HKMEx Contracts, following an HKMEx Service Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

## 1.15 Indirect Clearing

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

- (a) in circumstances where (i) the HKMEx Service 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 HKMEx Service 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 HKMEx 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**"); or
- (b) transfer the relevant Related HKMEx Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant HKMEx Service Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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 LCH OTT EnClear 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 HKMEx Contracts to the HKMEx Service Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.15.2 Each of the steps referred to in paragraphs 1.15.1(a) and 1.15.1(b) 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 HKMEx Service Clearing Member to the relevant HKMEx Clearing Client or from the relevant HKMEx Clearing Client to the relevant HKMEx Service 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 HKMEx Service Clearing Member on the relevant HKMEx Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that HKMEx Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related HKMEx 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 HKMEx Service Clearing Member in a form suitable to the Clearing House.

Unless contested by the relevant HKMEx Clearing Client, the Clearing House will usually arrange a transfer of Related HKMEx Contracts in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.15, a "Related HKMEx Contract" means in respect of a transaction between a HKMEx Service Clearing Member and a HKMEx Clearing Client which has been terminated on an early termination date, the open position represented by the HKMEx Contract entered into with the Clearing House by such HKMEx Service Clearing Member on behalf of the relevant HKMEx Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.15, the HKMEx Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**SCHEDULE 1**  
**BUYER ALLOCATION NOTICE FOR GOLD**

**LCH.CLEARNET LTD**

**ALDGATE HOUSE, 33 ALDGATE HIGH ST, LONDON EC3N 1EA**

S  
P  
E  
C  
I  
M  
E  
N

**HKMEx GOLD- BUYERS NOTICE OF ALLOCATION**

Allocation Number	Delivering Member	Delivering Account	Receiving Member	Receiving Account	Commodity	Expiry Date	Delivery Lots

We hereby notify you that the lots detailed on this notice are to be delivered to you in fulfilment of contract(s) open in your name.

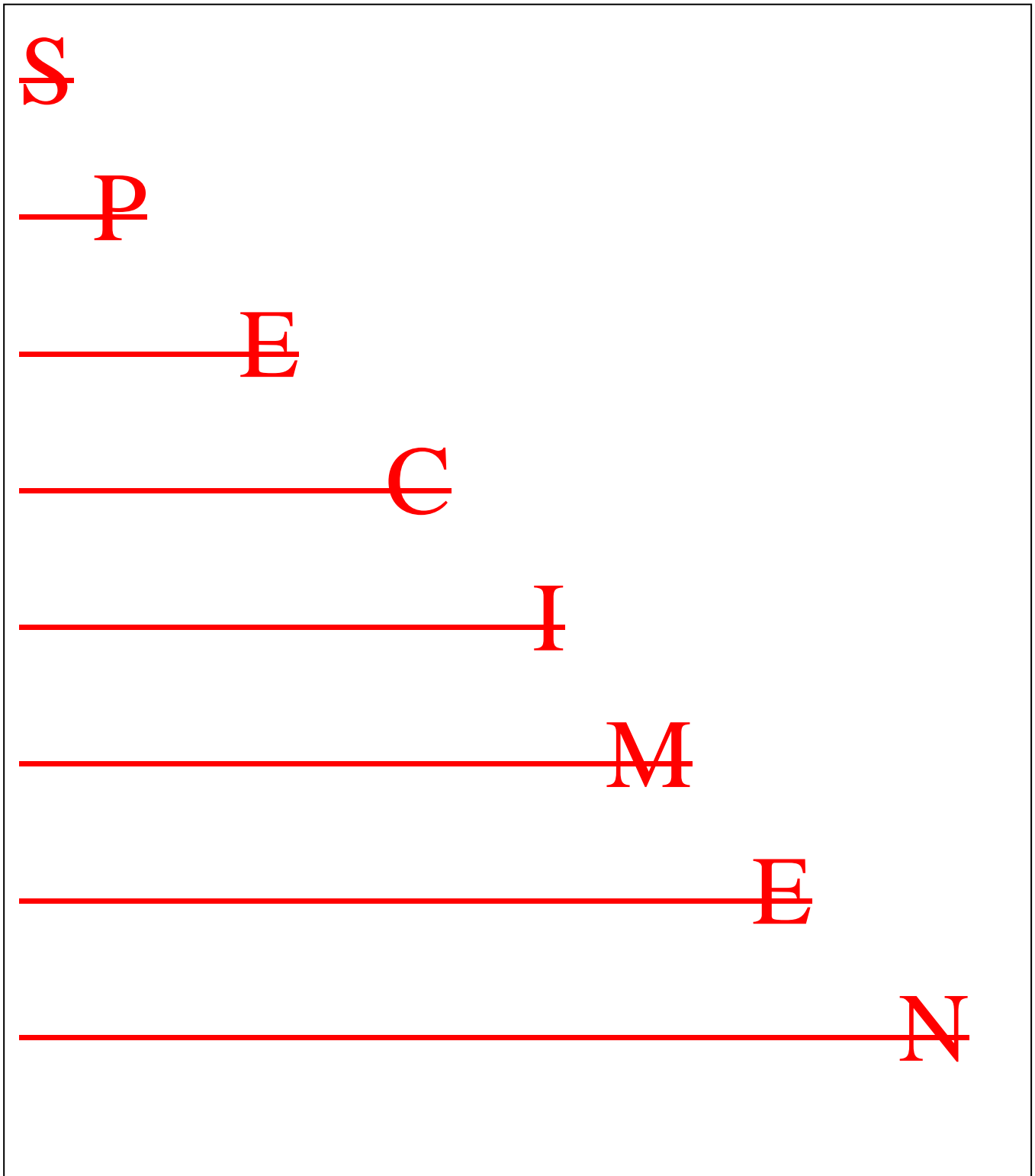


**APPENDIX B**

**SELLER ALLOCATION NOTICE FOR GOLD**

**LCH.CLEARNET LTD**

**ALDGATE HOUSE, 33 ALDGATE HIGH ST, LONDON EC3N 1EA**



**SCHEDULE 2**  
**SELLER ALLOCATION NOTICE FOR GOLD**

**LCH.CLEARNET LTD**

**ALDGATE HOUSE, 33 ALDGATE HIGH ST, LONDON EC3N 1EA**

S

**HKMEx GOLD SELLERS NOTICE OF ALLOCATION**

Allocation Number	Delivering Member	Delivering Account	Receiving Member	Receiving Account	Commodity	Expiry Date	Delivery Lots
	E						
		C					
			I				
				M			
					E		
							N

LCH.CLEARNET LTD hereby directs you as seller under an open contract to deliver the lots detailed on this notice to the buying clearing member(s).

~~APPENDIX C~~

**SCHEDULE 3**

**ADP ~~CONFIRMATION FOR GOLD~~ CONFIRMATION FOR GOLD**

<b>To:</b>	<b>LCH.Clearent Ltd Operations and Client Servicing Attn Fax No 020-7667-7359</b>	
<b>cc :</b>	<b>E</b>	(mnemonic)
<b>From :</b>	<b>C</b>	(mnemonic)

M

E

N

**HKMEx Gold Confirmation of Agreed ADP**

**We confirm that an ADP has been agreed on the lots shown below at the final settlement price of the contract.**

Position Account	Bought/ Sold	Counter-Party	Contract Month	Lots

**For and on behalf of.....**

**Mnemonic.....**

**Signed.....(Authorised Signatory)**

**Date.....DD.MM.YYYY.....**

~~APPENDIX D~~

~~BUYER ALLOCATION NOTICE FOR SILVER~~

**SCHEDULE 4**  
**BUYER ALLOCATION NOTICE FOR SILVER**

**LCH.CLEARNET LTD**

S **ALDGATE HOUSE, 33 ALDGATE HIGH ST, LONDON EC3N 1EA**

~~\_\_\_\_\_~~  
P

~~\_\_\_\_\_~~ ~~HKMEx Silver~~ **SILVER** BUYERS NOTICE OF ALLOCATION

~~\_\_\_\_\_~~  
C

<del>Allocation</del> Number	<del>Delivering</del> Member	<del>Delivering</del> Account	<del>Receiving</del> Member	<del>Receiving</del> Account	Commodit y	Expiry Date	Delivery Lots
					M		
						E	
							N

We hereby notify you that the lots detailed on this notice are to be delivered to you in fulfillment of contract(s) open in your name.

~~\_\_\_\_\_~~

**~~APPENDIX E~~**

**~~SELLER ALLOCATION NOTICE FOR SILVER~~**





**~~APPENDIX F~~**



Date.....DD.MM.YYYY.....

**APPENDIX G**

**SELLER ACCOUNT SALES — EXAMPLE ACCOUNT SALE:**

Business Day	Member	Member Account	Commodity	Prompt Date	Total	Total Allowances	Settlement Price	Net Credit	Vat Rate	Vat	Total Credit	Exchange Rate	Vat GBP Equivalent
20110609	ADM	C	HKG	201106		2	1539	98950.882		0	98950.882		0
20110609	ADM	C	HKG	201106		8	1539	395803.528		0	395803.528		0
20110609	ADM		HKG	201106	Total			494754.41		0	494754.41		0
20110609	ADM				Grand Total ADM			494754.41		0	494754.41		0
20110609	BMT	H	HKG	201106		30	1539	1484263.229		0	1484263.229		0
20110609	BMT		HKG	201106	Total			1484263.229		0	1484263.229		0
20110609	BMT				Grand Total BMT			1484263.229		0	1484263.229		0
20110609	GSF	C	HKG	201106		20	1539	989508.819		0	989508.819		0
20110609	GSF		HKG	201106	Total			989508.819		0	989508.819		0
20110609	GSF				Grand Total GSF			989508.819		0	989508.819		0
20110609	PFU	H	HKG	201106		4	1539	197901.764		0	197901.764		0
20110609	PFU	H	HKG	201106		6	1539	296852.646		0	296852.646		0
20110609	PFU		HKG	201106	Total			494754.41		0	494754.41		0
20110609	PFU				Grand Total PFU			494754.41		0	494754.41		0

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**APPENDIX H**

**~~BUYERS INVOICE - EXAMPLE INVOICE:~~**

**S**

Business Day	Member	Member Account	Commodity	Prompt Date	Total	Total Allowances	Settlement Price	Net Debit	Vat Rate	Vat	Total Debit	Exchange Rate	Vat GBP Equivalent
20110609	ADM	C	HKG	201106		5	1539	247377.205		0	247377.205		0
20110609	ADM	H	HKG	201106		30	1539	1484263.229		0	1484263.229		0
20110609	ADM		HKG	201106	Total	35		1731640.434		0	1731640.434		0
20110609	ADM				Grand Total ADM			1731640.434		0	1731640.434		0
20110609	DMG	H	HKG	201106		2	1539	98950.882		0	98950.882		0
20110609	DMG	H	HKG	201106		3	1539	148426.323		0	148426.323		0
20110609	DMG		HKG	201106	Total	5		247377.205		0	247377.205		0
20110609	DMG				Grand Total DMG			247377.205		0	247377.205		0
20110609	UBS	H	HKG	201106		4	1539	197901.764		0	197901.764		0
20110609	UBS	H	HKG	201106		26	1539	1286361.465		0	1286361.465		0
20110609	UBS		HKG	201106	Total	30		1484263.229		0	1484263.229		0
20110609	UBS				Grand Total UBS			1484263.229		0	1484263.229		0

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## APPENDIX I

**SCHEDULE 7**  
**SELLER ACCOUNT SALES - EXAMPLE ACCOUNT SALE**

S

Business Day	Member	Member Account	Commodity	Prompt Date	Total	Total Allowances	Settlement Price	Net Credit	Vat Rate	Vat	Total Credit	Exchange Rate	Vat GBP Equivalent
20110609	ADM	C	HKG	201106		2	1539	98950.882		0	98950.882		0
20110609	ADM	C	HKG	201106		8	1539	395803.528		0	395803.528		0
20110609	ADM		HKG	201106	Total	10		494754.41		0	494754.41		0
20110609	ADM				Grand Total ADM			494754.41		0	494754.41		0
20110609	BMT	H	HKG	201106		30	1539	1484263.229		0	1484263.229		0
20110609	BMT		HKG	201106	Total	30		1484263.229		0	1484263.229		0
20110609	BMT				Grand Total BMT			1484263.229		0	1484263.229		0
20110609	GSF	C	HKG	201106		20	1539	989508.819		0	989508.819		0
20110609	GSF		HKG	201106	Total	20		989508.819		0	989508.819		0
20110609	GSF				Grand Total GSF			989508.819		0	989508.819		0
20110609	PFU	H	HKG	201106		4	1539	197901.764		0	197901.764		0
20110609	PFU	H	HKG	201106	Total	6	1539	296852.646		0	296852.646		0
20110609	PFU		HKG	201106	Total	10		494754.41		0	494754.41		0
20110609	PFU				Grand Total PFU			494754.41		0	494754.41		0

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**SCHEDULE 8**  
**BUYERS INVOICE - EXAMPLE INVOICE**

**S**

Business Day	Member	Member Account	Commodity	Prompt Date	Total	Total Allowances	Settlement Price	Net Debit	Vat Rate	Vat	Total Debit	Exchange Rate	Vat GBP Equivalent
20110609	ADM	C	HKG	201106			5	1539	247377.205	0	247377.205		0
20110609	ADM	H	HKG	201106			30	1539	1484263.229	0	1484263.229		0
20110609	ADM		HKG	201106	Total		35		1731640.434	0	1731640.434		0
20110609	ADM				Grand Total ADM				1731640.434	0	1731640.434		0
20110609	DMG	H	HKG	201106			2	1539	98950.882	0	98950.882		0
20110609	DMG	H	HKG	201106			3	1539	148426.323	0	148426.323		0
20110609	DMG		HKG	201106	Total		5		247377.205	0	247377.205		0
20110609	DMG				Grand Total DMG				247377.205	0	247377.205		0
20110609	UBS	H	HKG	201106			4	1539	197901.764	0	197901.764		0
20110609	UBS	H	HKG	201106			26	1539	1286361.465	0	1286361.465		0
20110609	UBS		HKG	201106	Total		30		1484263.229	0	1484263.229		0
20110609	UBS				Grand Total UBS				1484263.229	0	1484263.229		0

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**SCHEDULE 9**  
**ECS & ~~CLEARING HOUSE SYSTEM REQUIREMENTS~~ CLEARING HOUSE**  
**SYSTEM REQUIREMENTS**

The ECS environment will be utilised for the processing of HKMEx Transactions.

A CM must have an access point to the ECS systems located in its office or in a location acceptable to the Clearing House.

CM<sup>2</sup>s must request for Position Transfers and Give ups via HKMEx which will forward the transaction onto ECS, unless they fall outside of LCH.Clearnet Ltd Risk parameters whereby this may be carried out at LCH.Clearnet Ltd Operations and Client Servicing discretion, for example for any very large member to member position transfers.

CMs must familiarise themselves with the timing and method for doing this as described in the HKMEx Rules and section ~~21-11~~1.11 of this procedure. CMs should contact LCH.Clearnet Ltd Operations and Client Servicing Department on +44 (0)20 7426 7689 if they require further information.

It is the responsibility of each CM to keep any report, including, but not limited to, the CM Member Position report, required for its own historic, audit or legal purposes.

**SECTION 2K**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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CONTENTS

<u>Section</u>	<u>Page</u>
<del>2K. introduction and interpretation .....</del>	<del>2</del>
<del>2K.1 – Users of ForexClear .....</del>	<del>2</del>
<del>2K.2 – Service Scope .....</del>	<del>3</del>
<del>2K.3 – Trade Management .....</del>	<del>5</del>
<del>2K.4 – Market Data .....</del>	<del>13</del>
<del>2K.5 – Valuation and Margin .....</del>	<del>16</del>
<del>2K.6 – General Margining Process .....</del>	<del>21</del>
<del>2K.7 – ForexClear Reporting .....</del>	<del>23</del>
<del>2K.8 – Treasury Operations &amp; Collateral Management .....</del>	<del>24</del>
<del>2K.9 – Payment of Stamp Tax .....</del>	<del>25</del>
<del>2K.10 – DEFAULT MANAGEMENT .....</del>	<del>26</del>
<del>Appendix 2K.A – 30</del>	
<del>Confidentiality, non-disclosure and participation in the ForexClear Default Management Group – 30</del>	
<u>1. Introduction and interpretation .....</u>	<u>1</u>
<u>1.1 Users of ForexClear .....</u>	<u>1</u>
<u>1.2 Service Scope .....</u>	<u>2</u>
<u>1.3 Trade Management .....</u>	<u>5</u>
<u>1.4 Market Data .....</u>	<u>14</u>
<u>1.5 Valuation and Margin .....</u>	<u>18</u>
<u>1.6 General Margining Process .....</u>	<u>24</u>
<u>1.7 ForexClear Reporting .....</u>	<u>26</u>
<u>1.8 Treasury Operations &amp; Collateral Management .....</u>	<u>28</u>
<u>1.9 Payment of Stamp Tax .....</u>	<u>29</u>
<u>1.10 Default Management .....</u>	<u>29</u>
<u>1.11 Provision of Tax Forms .....</u>	<u>32</u>
<u>1.12 ForexClear Client Clearing .....</u>	<u>33</u>
<u>1.13 Provision of Tax Forms .....</u>	<u>37</u>
<u>1.14 Indirect Clearing .....</u>	<u>37</u>
<u>Schedule 1 Confidentiality, non-disclosure and participation in the ForexClear Default Management Group .....</u>	<u>40</u>

## **2K.1. INTRODUCTION AND INTERPRETATION**

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Any terms not defined in these Procedures have the definitions given to them in the Rulebook.

References to “Sections” shall mean Sections in these Procedures.

References to “Business Day”, “Calculation Agent”, “Currency Pair”, “Disruption Fallback”, “Notional Amount”, “Reference Currency”, “Scheduled Valuation Date”, “Settlement Currency”, “Settlement Currency Amount”, “Settlement Date”, “Settlement Rate”, “Settlement Rate Option”, “Trade Date”, “Valuation Date” and “Valuation Postponement” shall carry the meanings given to them in the Schedule to the ForexClear Regulations with respect to the relevant Currency Pair.

References to “business day” shall carry the meaning given to it in the Rulebook.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation [39,52 \(Exclusion of Liability\)](#), which applies to these Procedures in its entirety unless provided otherwise.

### **2K.1.1 Users of ForexClear**

The ForexClear Service is an interface that processes and stores all ForexClear Transactions. Those authorised by the Clearing House to submit trades (as defined below) for clearing in the ForexClear Service fall into two categories – ForexClear Clearing Members (“FXCCMs”) and ForexClear Dealers (“FXDs”). FXCCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the ForexClear Service. FXDs are not FXCCMs, but have met the criteria for registration as a [ForexClear Dealer FXD](#) and have entered into a ForexClear Dealer Clearing Agreement with an FXCCM and the Clearing House. FXCCMs and FXDs are collectively known as ForexClear Participants (“FXPs”). For membership procedures, please see Section [41 \(Clearing Member and Dealer Status\)](#) of the Procedures.

For identification purposes each FXCCM is assigned a unique three-character mnemonic.

#### *Termination of FXCCM Status*

[1.1.1](#) : Clearing Members should contact the Clearing House Membership Department (+44 (0)207 426 7891/7627/7063; [membership@lchclearnet.com](mailto:membership@lchclearnet.com)) for details of how to resign from the ForexClear Service.

[2K.1.2.1.1.2](#) Termination of FXD Status: The ForexClear Dealer Agreement and Regulation 8 (Dealer Status) set out how the FXD relationship may be terminated.

~~The ForexClear Dealer Agreement and Regulation 107 set out how the FXD relationship may be terminated.~~

## **2K.2.1.2** Service Scope

### *Eligibility*

1.2.1 : Non-Deliverable FX Transactions as defined in ~~Schedule A to the ForexClear Regulations~~ (“Product Specific Contract Terms and Eligibility Criteria Manual (“NDFs”)”) may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the ForexClear Eligibility Criteria (as set out in ~~Part B of the Schedule to the ForexClear Regulations~~ the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time).

## **2K.2.2** 1.2.2 Service Operating Hours

### *Opening Days*

(a) : The ForexClear Service will be open each day, except weekends, Christmas Day and New Year<sup>2</sup>'s Day.

### *Opening Hours*

(b) : The ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning (~~(“Opening Hours”)~~). The ForexClear Service will not accept ForexClear Transactions outside of these hours.

## 1.2.3 Accounts

### (a) Proprietary Accounts and Client Accounts

#### (i) Proprietary Accounts

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

Each Proprietary Account Structure will map to two sub-accounts

## **FXCCMs**

(A) a position account; and

(B) a collateral account

#### (ii) Client Accounts

(A) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.12 (ForexClear

Client Clearing) below, a FXCCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (1) Individual Segregated Accounts;
- (2) Non-Identified Client Omnibus Net Segregated Account;
- (3) Identified Client Omnibus Net Segregated Accounts; and/or
- (4) Affiliated Client Omnibus Net Segregated Accounts.

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

- (A) one or more position accounts; and
- (B) a collateral account.

(b) The ForexClear Service provides ~~each FXCCM with (i) for:~~

- ~~(a)(i) a single house position-keeping account with the account code “H”; (ii) a financial in respect of ForexClear Clearing House Business and a collateral account associated with the “H” house position-keeping account; and (iii) a separate financial account for each FXCCM’s ForexClear Default Fund Contribution with the account code “F”.~~

~~The FXCCM’s single financial account is used to record cash balances, liabilities, and securities/documentary credits.~~

~~The FXCCM’s house position-keeping account, as described in Regulation 5 and Regulation 103(f), is for house business.~~

~~(d)(A)~~ (A) Sub-accounts within the ~~FXCCM’s~~FXCCM’s “H” house position-keeping account may be set up (e.g. for branches or FXDs). Each such sub-account will carry the unique Bank Identifier Code (~~“(“BIC”)~~“(“BIC”)) of the relevant branch/ FXD (please see Section ~~2.3.2~~1.2.4 below).

~~(e)(B)~~ (B) Sub-accounts within the ~~FXCCM’s~~FXCCM’s “H” house position-keeping account will be associated with the single ~~financial~~collateral account of the FXCCM and information contained across the house position-keeping sub-accounts is consolidated into the single ~~financial~~“H” account of each FXCCM.

## **FXDs and Branches**

~~Where an FXCCM enters into a ForexClear Dealer Clearing Agreement with an FXD, submission of a static data form to LCH will allow it to be provided with one or more sub-accounts for that FXD (for position-keeping purposes) within that FXCCM's house position-keeping account. The ForexClear Dealer Clearing Agreement enables an FXD to nominate the "Designated Offices" (i.e. BICs) through which it may submit ForexClear Transactions.~~

(ii) a single client position-keeping account with the account code "C" in respect of ForexClear Client Clearing Business and a collateral account associated with the "C" client position-keeping account . Each client "C" position-keeping account and the client "C" collateral account of a FXCCM may hold any number segregated sub-accounts. Each Individual Segregated Account of the FXCCM 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; and

(c) The ForexClear Service also provides for a separate account for each FXCCM's ForexClear Default Fund Contribution with the account code "F";

(d) Only the "H" and "F" accounts are obligatory. The "C" account will be used in respect of any FXCCM which engages in ForexClear Client Clearing Business.

#### 1.2.4 Branches

~~(b)~~(a) Submission of a static data form to LCH's membership department by an FXCCM will also allow an FXCCM to be provided with one or more sub-accounts for any branch of that FXCCM (for position-keeping purposes) within that ~~FXCCM's house~~FXCCM's "H" position-keeping account.

~~(e)~~(b) Because the single ~~financial~~ account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with ForexClear Transactions submitted by FXDs and/or per branch will be provided as an estimate (if applicable) .

#### ~~2K.2.3.3~~1.2.5 Novation and Registration

(a) An NDF is a ForexClear Transaction (i.e. eligible for registration as a ForexClear Contract) if it satisfies the ForexClear Eligibility Criteria (set out ~~at Part B of the Schedule to the ForexClear Regulations~~in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time) at the Registration Time. The Clearing House will register (or reject) a



ForexClear Contract in respect of a ForexClear Transaction presented for registration as quickly as would be technologically practicable if fully automated systems were used.

- (b) Prior to registering a ForexClear Contract, the Clearing House will require the FXCCM in whose name such ForexClear Contract is to be registered to ~~transfer~~provide and maintain sufficient Collateral ~~for~~in respect of its Liabilities (as defined in ~~Section paragraph 2K.6.2(c) of Section 1.6.2 (Margin Run Process)~~ (or its estimated Liabilities) (taking into account any MER Buffer (as defined at paragraph (f) of Section 2K1.5.6.5) (Initial Margin)) and any MCE (as defined at Section 2K1.5.76) (Mutualised Credit Extension)) made available by the Clearing House, if any) as a precondition to registration. This Collateral check process is referred to as the “Incremental Risk Check” (as defined at paragraph (b) of Section 2K1.3.3.2) (Trade Validation and Registration)).
- (c) If any FXCCM ~~does~~has not ~~have~~transferred sufficient Collateral ~~for~~in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any submitted and unregistered ForexClear Transaction to which it is a party and that is subject to such Incremental Risk Check will be rejected.
- (d) Once the ForexClear Transaction has passed the Validation Checks (as defined in paragraph (a) of Section 3.3.1; 1.3.3 (Trade Validation and Registration)), the Clearing House will send, via the ForexClear Matcher, a message confirming the registration of the ForexClear Transaction as two ForexClear Contracts and including a timestamp of the relevant registration time. For the purpose of the ForexClear Regulations, the time of dispatch of such message shall be the “Registration Time” of such ForexClear Contracts.
- (e) The definitive report of a registered ForexClear Contract will be shown on the “All Open Contracts” report issued by ForexClear Reporting ~~(as defined in Section 7)~~.
- (f) If an FXCCM is declared a ~~d~~Defaulter, the Clearing House will not register any ForexClear Transactions to which the ~~d~~Defaulter was a party. ForexClear Transactions between non-defaulting FXCCMs will continue to be registered (assuming sufficient Collateral in respect of their Liabilities or estimated Liabilities has been ~~provided~~transferred to the Clearing House).

## **2K.3.1.3** Trade Management

### *Trade Capture*

1.3.1 : After the execution of an NDF (a “trade”), each FXP who is a party to the trade will submit individual instructions to the ForexClear Matcher for matching and clearing of the trade. FXPs are not required to submit a confirmation of any trade submitted to the Clearing House for registration. Submission of the matched trade terms through the ForexClear Matcher will ensure that the agreed terms of the trade are recorded.

Once the ForexClear Matcher receives the trade instructions from the FXPs who are parties to the trade, the ForexClear Matcher matches both instructions. The ForexClear Matcher validates the trade using the ForexClear Eligibility Criteria and will, if appropriate, submit a single message containing the names of the FXPs who are parties to the trade and the terms of the trade to the Clearing House for registration and clearing, such matched trade being known as a “ForexClear Transaction”. Once the Clearing House receives the ForexClear Transaction message, it will send a message of acknowledgement back via the ForexClear Matcher to each FXP that the trade has been matched and accepted for clearing. Instructions which show that one or both sides of the trade do not meet the ForexClear Eligibility Criteria (as per Section 3.3) 1.3.3 (Trade Validation and Registration) are rejected. Rejections are reported back to the counterparties through the ForexClear Matcher.

The Clearing House will provide ForexClear Transaction/ForexClear Contract (as applicable) updates as and when these change e.g. for acceptance, rejection and novation.

### **2K.3.2** 1.3.2 *The ForexClear Matcher*

FXCCMs must not submit instructions to the Clearing House for trades which will not meet the ForexClear Eligibility Criteria. The Clearing House will register a ForexClear Transaction on the basis of the data provided to it by the ForexClear Matcher and has no obligation to verify that the details received from the ForexClear Matcher in respect of a ForexClear Transaction properly reflect the trade entered into by the relevant FXCCMs.

Application for ForexClear Matcher status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of ForexClear Matchers currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional ForexClear Matchers, it will notify FXCCMs via a member circular.

The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any ForexClear Transaction reported to it for registration by the ForexClear Matcher. The Clearing House shall have no liability in the event that any FXCCM suffers any loss through the unauthorised input of details into a system of a ForexClear Matcher.

Notwithstanding the designation by the Clearing House of a system as a ForexClear Matcher, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any ForexClear Matcher or the timeliness or otherwise of the delivery of any ForexClear Transaction details by that ForexClear Matcher to the Clearing House. Such matters form part of the relationship between the FXCCM and the ForexClear Matcher and the terms of such relationship may entitle the ForexClear Matcher to suspend the ability of an FXCCM to make submissions from time to time.

The Clearing House accepts no liability for any error within or corruption of any data sent by the ForexClear Matcher to the Clearing House or to an FXCCM or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any ForexClear Contract(s) on the basis of incorrect or corrupted data sent to it by a ForexClear Matcher, the FXCCM(s) concerned shall be bound by the terms of such ForexClear Contract(s), unless the ForexClear Contract is subsequently cancelled in accordance with Regulation ~~104 or 106.91~~ (Cancellation of ForexClear Contracts).

### ~~2K.3.3~~ 1.3.3 Trade Validation and Registration

#### ~~2K.3.3.1~~ (a) Process Flow Description

~~(a)~~ (i) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below) and Incremental Risk Checks (as defined at paragraph (b) of this Section ~~2K1.3.3.2~~ (Trade Validation and Registration) required for ForexClear Transactions (together the “Validation Checks”).

~~(b)~~ (ii) The fields checked are as follows:

~~(i)~~ (A) Counterparties: (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the ForexClear Contract is to be registered not been declared a ~~d~~ Defaulter by the Clearing House? (together, the “Counterparty Technical Validation Check”);

~~(ii)~~ (B) Trade type: is the instrument type an NDF?

~~(iii)~~ (C) Economic Terms: does the trade include all the Economic Terms ~~(as defined in the Schedule to the ForexClear Regulations)?~~

~~(iv)~~ (D) Currency Pairs: are the Reference Currency and the Settlement Currency a Currency Pair (as defined in the ~~Schedule to the ForexClear Regulations)?~~ Product

Specific Contract Terms and Eligibility Criteria Manual).

(v)(E) Settlement Currency: is the Settlement Currency USD?

(vi)(F) Trade tenor eligibility: does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the “Submission Date”) and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the ForexClear Transaction arrives after the ForexClear date roll (22.00 local London time), the Submission Date is defined as the next good business day.

(vii)(G) Valuation Date and Settlement Date: do the Valuation Date and Settlement Date for the ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the ForexClear Transaction relates? Does the Settlement Date fall on a Business Day after the Valuation Date? The table below shows the relevant Business Days for determining the Valuation Date and the Settlement Date:<sup>1</sup>

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
USD-BRL	BRL & USD	Any of Rio de Janeiro, Brasilia or São Paulo and New York City	USD	New York City
USD-CLP	USD & CLP	New York and Santiago	USD	New York City
USD-CNY	CNY	Beijing	USD	New York City
USD-COP	USD & COP	New York and Bogota	USD	New York City
USD-IDR	IDR	Jakarta	USD	New York City
USD-INR	INR	Mumbai	USD	New York City
USD-KRW	KRW	Seoul	USD	New York City

<sup>1</sup>—As amended from time to time as per relevant EMTA Template.

Currency Pair	Business Days for Valuation Date	Relevant City/Cities for Business Day for Valuation Date	Business Days for Settlement Date	Relevant City for Business Day for Settlement Date
USD-MYR	MYR	Kuala Lumpur	USD	New York City
USD-PHP	PHP	Manila	USD	New York City
USD-RUB	USD & RUB	New York and Moscow	USD	New York City
USD-TWD	TWD	Taipei	USD	New York City

~~(e)~~(iii) Trades that pass the Validation Checks are accepted and two trade records are created for the ForexClear Transaction: one for the ForexClear Contract between the Clearing House and the first FXCCM to the ForexClear Transaction and the other for the ForexClear Contract between the Clearing House and the second FXCCM to the ForexClear Transaction.

~~(d)~~(iv) Provided each FXCCM has transferred sufficient Collateral to the Clearing House, the Clearing House will send a message via the ForexClear Matcher confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the ForexClear Matcher giving a reason for rejection.

~~(e)~~(v) As provided in ~~Section 2.3.3, paragraph 1.2.5(d)~~ (Novation and Registration), in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that ForexClear Contract.

~~(f)~~(vi) The internal sub-account (i.e. FXCCM, branch, or FXD) into which each trade record is booked is derived from the BIC code within the message from the ForexClear Matcher. The BIC links to the FXCCM reference data.

~~(g)~~(vii) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “ForexClear ID”). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

2K.3.3.2(b) *Incremental Risk Checks*

- ~~(a)~~(i) The Clearing House will apply an “Incremental Risk Check” to each individual ForexClear Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FXCCM’s Liabilities (including the new ForexClear Transaction) against available Collateral (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FXCCM’s Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.
- ~~(b)~~(ii) Both FXCCMs to the ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two ForexClear Contracts in those FXCCM’s names.
- ~~(c)~~(iii) If either (or both) FXCCM(s) to a ForexClear Transaction fail(s) the Incremental Risk Check(s), then the ForexClear Transaction will be rejected immediately, and a rejection message will be issued to the ForexClear Matcher indicating which (or both) FXCCM(s) has failed the Incremental Risk Check(s).

2K.3.3.3(c) *Registration*

- ~~(a)~~(i) Once it is confirmed that the transaction has passed the Validation Checks for the relevant FXCCMs, the Clearing House:

  - ~~(i)~~(A) registers each ForexClear Transaction as two ForexClear Contracts and changes the status for each ForexClear Transaction to “NOVATED” and informs the ForexClear Matcher; and
  - ~~(ii)~~(B) in respect of relevant ForexClear Contracts being cancelled, cancels the relevant ForexClear Contracts and changes the ForexClear Contract status of each relevant ForexClear Contract to “CANCELLED”.
- ~~(b)~~(ii) The Clearing House acknowledges the ForexClear Contract status and sends a message to the ForexClear Matcher that the ForexClear Transaction/ForexClear Contract (as the case may be) is either “NOVATED” or “CANCELLED” as appropriate.

**2K.3.4**1.3.4 *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

- (a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a cancellation request for a ForexClear Contract or a ForexClear Transaction, in each case manually prior to a Margin Run, (e.g. in the case of a default event, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from a defaulted FXCCM).
- (b) The Clearing House acknowledges the action and sends a status message to the ForexClear Matcher of either “REJECTED” in respect of trades being manually rejected; “NOVATED” in respect of trades being manually registered; and “CANCELLED” in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, as appropriate.

**2K.3.5**1.3.5 *Trade Cancellation*

- 2K.3.5.1**(a) (a) — The Clearing House accepts cancellation messages from FXPs against both non-novated trades (ForexClear Transactions) and novated trades (ForexClear Contracts).
- (b) With respect to any ForexClear Contract, cancellation messages may be submitted via the ForexClear Matcher until such ForexClear Contract is “fixed” – i.e. when its Settlement Rate has been determined on the relevant Valuation Date.
- (c) A successful cancellation message results in a “CANCELLED” status message if the ForexClear Transaction or the ForexClear Contract (as the case may be) is cancelled during the Opening Hours. The status messages are sent from the Clearing House to the FXCCM via the ForexClear Matcher.
- (d) There is no ForexClear Contract or ForexClear Transaction amendment functionality.

**2K.3.5.2**(e) *Process Flow Description*

- ~~(a)~~(i) The Clearing House accepts trade cancellation instructions from the ForexClear Matcher for ForexClear Transactions or ForexClear Contracts (as the case may be) that have previously been submitted to the ForexClear Service. Cancellation instructions must include the ForexClear ID.
- ~~(b)~~(ii) The Clearing House checks that the cancellation instruction contains a valid ForexClear ID which relates to: (a) a ForexClear Transaction or ForexClear Contract (as the case may be) that has not been previously cancelled; and (b) in the



case of a ForexClear Contract only, a ForexClear Contract with respect to which the relevant Valuation Date has not yet occurred.

- (e)(iii) Where a trade has already been rejected (as a result of having failed a Counterparty Technical Validation Check), the ForexClear Service sends a “CANCEL REJECTED” message to the ForexClear Matcher for the relevant FXPs.
- (e)(iv) All trade cancellation instructions must pass the Incremental Risk Check. If any FXCCM has not transferred sufficient Collateral in respect of its Liabilities or estimated Liabilities to the Clearing House (taking into account any MER Buffer and MCE provided by the Clearing House, if any) at the time of the relevant Incremental Risk Check, then any ForexClear trade cancellation instruction to which it is a party will be rejected immediately. However, any ForexClear trade cancellation instruction that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.

#### *Valuation Date Event Management*

1.3.6 : The Clearing House is the Calculation Agent and will store and apply the Settlement Rate Option and the Valuation Date for each ForexClear Contract.

On the Valuation Date with respect to each ForexClear Contract, the Settlement Rate will be retrieved from the Settlement Rate Option per Currency Pair in accordance with the relevant EMTA Templates (as referenced in the ~~Schedule to the ForexClear Regulations~~).[Product Specific Contract Terms and Eligibility Criteria Manual](#)). The Market Data provider for Settlement Rates is Reuters.

ForexClear applies the relevant Settlement Rate to ForexClear Contracts using the following criteria:

- (a) Settlement Rate Option source code (as below);
- (b) Valuation Date.

The table below gives the source codes of the Settlement Rate Options to be used as per the relevant EMTA Template:

Currency Pair	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)
USD-BRL	BRL PTAX (BRL09)
USD-CLP	CLP DÓLAR OBS (CLP10)



Currency Pair	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)
USD-CNY	CNY SAEC (CNY01)
USD-COP	COP TRM (COP2)
USD-IDR	IDR JISDOR (IDR04)
USD-INR	INR RBIB (INR01)
USD-KRW	KRW KFTC18 (KRW02)
USD-MYR	MYR PPKM (MYR03)
USD-PHP	PHP PDSPEO (PHP06)
USD-RUB	RUB CME-EMTA (RUB03)
USD-TWD	TWD TAIFX1 (TWD03)

The Clearing House applies the Settlement Rate to all relevant ForexClear Contracts at a predefined time (see Section [4.3.1.4.3 \(Market Data\)](#) below) following its publication.

The Clearing House calculates the Settlement Currency Amount in the Settlement Currency per ForexClear Contract. FXCCMs can retrieve the Settlement Rate and Settlement Currency Amount in the Settlement Currency via ForexClear Reporting (as defined in Section [7.1.7 \(ForexClear Reporting\)](#)) on the ForexClear Service Portal and on MemWeb, which are internet services onto which information is loaded and can be accessed by FXCCMs.

[2K.3.6.2\(c\)](#) Process Flow Description

- [\(a\)\(i\)](#) After the Registration Time for a ForexClear Contract, the ForexClear Service links a Settlement Rate Option to it in accordance with the relevant EMTA Template for the Currency Pair.
- [\(b\)\(ii\)](#) On the Valuation Date, the Clearing House uses the Settlement Rate for the Currency Pair for the ForexClear Contract when it is published by Reuters, and calculates the Settlement Currency Amount for each ForexClear Contract in the Settlement

Currency by applying the relevant Settlement Rate Option as published.

- (e)(iii) If the Settlement Rate Option set out in the relevant EMTA Template is unavailable at the relevant time, Disruption Fallback alternatives for the determination of the Settlement Rate will apply as set out in the relevant EMTA Template.

### Settlement

1.3.7 : With respect to each ForexClear Contract, the Settlement Currency Amount is calculated by the application of the Settlement Rate to the Notional Amount in accordance with the ForexClear Contract Terms.

From (and including) the Registration Time to (and including) the Business Day immediately preceding the Settlement Date, changes in the daily value of open ForexClear Contracts will have resulted in variation margin (“~~VM~~”) credits and debits between the parties (as set out at Section ~~5.2~~; 1.5.2 (Variation Margin)). With respect to each ForexClear Contract, on the Business Day immediately preceding the Settlement Date, the Clearing House nets the Settlement Currency Amount against the aggregate net ~~VM~~variation margin which has been paid/received through the term of the ForexClear Contract, the result of which is a Net Settlement Amount (“~~NSA~~”), which will be reflected in the FXCCMs’<sup>2</sup> cash accounts with the Clearing House on the Settlement Date. As such, with respect to each ForexClear Contract, the transfer to, ~~or receipt from~~, the Clearing House of all the Collateral in respect of the variation margin required during the term of such ForexClear Contract shall satisfy the relevant party’s<sup>2</sup> obligation to pay the Settlement Currency Amount on the Settlement Date of such ForexClear Contract. For the purpose of providing Nostro reconciliations, to the relevant parties, the Clearing House will provide Reporting (as defined in Section ~~7~~1.7 (ForexClear Reporting)) which will reflect an entry for the “Settlement Currency Amount” and a separate entry for the reversal of the aggregate net ~~VM~~variation margin which has been paid/received through the term of the ForexClear Contract. This paragraph applies even if the Settlement Date has been adjusted in accordance with the ForexClear Contract Terms.

### Portfolio Management

1.3.8 : The Clearing House allows portfolios of ForexClear Contracts to be transferred between FXCCMs e.g. in the event of merger, or where agreed between the relevant FXPs.

The portfolio transfer capability allows the transfer of:

- (a) A single ForexClear Contract.
- (b) Part of an FXCCM’s<sup>2</sup> portfolio (which includes the ability to transfer ForexClear Contracts to various other FXCCMs, e.g. Bank A to Bank B for USD/RUB, Bank A to Bank C for USD/KRW and Bank A to Bank D for USD/BRL).

(c) Portfolio transfer (i.e. the transfer of all or just one of the portfolios belonging to an FXCCM).

(d) Multiple portfolio transfers (i.e. the transfer of several portfolios of an FXCCM).

The Clearing House will carry out the portfolio transfer. For transfers under 2, 3(b), (c) and 4(d), this can be on a ForexClear Contract by ForexClear Contract or on a Currency Pair basis.

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 FXCCM regarding any additional eCollateral that may be required in order to complete the portfolio transfer.

### *Legal Documentation*

(e) : The Transfer of ForexClear Contracts will be documented in accordance with the standard legal documentation for the transfer of ForexClear Contracts provided by the Clearing House to FXPs. Any such transfer must be authorised by all relevant parties and executed by individuals with appropriate signing authority.

### 2K.3.9.1.3.9 *Reference Data*

#### 2K.3.9.1(a) *Holiday Event Calendar:*

The ForexClear Service uses the SwapsMonitor Financial Calendar (as published by Swaps Monitor Publications, INC.) (“**SwapsMonitor Financial Calendar**”) in order to determine holidays. This requires all ForexClear Participants to be licensees of the SwapsMonitor Financial Calendar.

When a change is declared that affects the SwapsMonitor Financial Calendar that is referenced on ForexClear, a corresponding calendar adjustment will be made to the ForexClear system.- The Clearing House may temporarily close the ForexClear Service to process a calendar adjustment in its clearing system.- FXCCMs will be notified in advance of the date, time and expected duration of such closure.

#### 2K.3.9.2(b) *Date Adjustment:*

As a result of the calendar adjustment process, the Valuation Date and/or the Settlement Date of any affected ForexClear Contracts will automatically be date adjusted in accordance with the provisions of the EMTA Template for the relevant Currency Pair.

The Clearing House will notify the FXCCMs via file download from the Clearing Member Reporting as to the ForexClear Contracts affected and the date adjustments made.

**2K.4.1.4 Market Data**

*Sources used by ForexClear Service*

1.4.1 : The ForexClear Service collates instrument quotes for the following from multiple market sources (as detailed in Section ~~4.2~~ 1.4.2 (Market Data Sources and Frequencies)) in relation to each Currency Pair:

- (a) FX spot rates (~~("FX Spot Rates");~~);
- (b) FX swap points (~~("FX Swap Points");~~);
- (c) Settlement Rate Option;
- (d) Interest rate curves (see paragraph (b) of Section 4.5.2 1.4.5 (Curve Building in ForexClear) below) (~~("Interest Rate Curves");~~);
- (e) USD LIBOR Curve;
- (f) PAI rates (~~("PAI Rates");~~); and
- (g) Country credit spreads (see Section ~~4.6 below~~) (~~1.4.6 (Country Credit Spreads)~~ below) ("Country Credit Spreads").

together, ~~("Market Data")~~.

FX Spot Rates and FX Swap Points are received by the Clearing House via a live link from all eligible FXCCMs during the Opening Hours (as defined in ~~Section 2.2.2~~ paragraph (b) of Section 1.2.2 (Service Operating Hours)).

*Market Data Sources and Frequencies*

1.4.2 : The Clearing House receives the following updated raw prices:

- (a) FX Spot Rates:
  - (i) Source – contributing FXCCMs.
  - (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
- (b) FX Swap Points:
  - (i) Source - all contributing FXCCMs.
  - (ii) Frequency - every time updated by contributing FXCCMs up to a maximum rate of once every five minutes.
  - (iii) Tenors – as shown in the table below.

<b>Tenor</b>
S/N
1 week

<b>Tenor</b>
1 month
2 months
3 months
6 months
12 months
24 months

(c) Settlement Rate Options:

(i) Source - Reuters.

(ii) Frequency - when published (at the times shown in the table at Section ~~4.3~~1.4.3 (*Market Data*) below).

(d) Interest Rate Curves:

(i) Source - internal Clearing House.

(ii) Frequency - at each SwapClear margin run.

(e) Country Credit Spreads:

(i) Source - Bloomberg.

(ii) Frequency - when published.

(f) USD LIBOR Curve:

(i) Source - SwapClear.

(ii) Frequency - at each SwapClear margin run.

(g) PAI rates:

(i) Source - LCH Treasury.

(ii) Frequency - ~~D~~daily.

**2K.4.3**1.4.3 *Market Data*

<b>Reference Currency</b>	<b>Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)</b>	<b>Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)</b>
BRL	BRL PTAX (BRL09)	13:15 (São Paulo)
CLP	CLP DÓLAR OBS (CLP10)	10:30 (Santiago)
CNY	CNY SAEC (CNY01)	09:15 (Beijing)

Reference Currency	Settlement Rate Option (or as per the relevant EMTA Template as amended from time to time)	Settlement Rate Publication Local Time (or as per the relevant EMTA Template as amended from time to time)
COP	COP TRM (COP02)	10.30 (Bogota)
IDR	IDR JISDOR (IDR04)	10:00 (Jakarta)
INR	INR RBIB (INR01)	12:30 (Mumbai)
KRW	KRW KFTC18 (KRW02)	15:30 (Seoul)
MYR	MYR PPKM (MYR03)	11:10 (Kuala Lumpur)
PHP	PHP PDSPEO (PHP06)	11:30 (Manila)
RUB	RUB CME-EMTA (RUB03)	13:30 (Moscow)
TWD	TWD TAIFX1 (TWD03)	11:00 – 12:00 (Taipei)

#### *Market Data Provision to FXCCMs*

1.4.4 : Market Data used in a Margin Run is made available to FXCCMs via ForexClear Reporting (as defined in Section ~~7~~1.7 (ForexClear Reporting)).

#### ~~2K.4.5~~1.4.5 *Curve Building in ForexClear*

#### *FX Curve (Zero Coupon/Market Rate Curve)*

(a) : The Clearing House builds for each Currency Pair an FX curve (zero coupon/market rate curve) using the FX Spot Rates, FX Swap Points and the USD LIBOR Curve based on interpolation techniques agreed through the ForexClear Risk & Trading Working Group (a group comprising the Clearing House and FXCCM's risk and trading representatives) (~~("RTWG")~~). The USD LIBOR Curve is used for discounting; the FX curve is used for capitalisation of forward cash flows.

#### *Interest Rate Curve*

(b) : The Clearing House applies the linear interpolation method to build the Interest Rate Curve. Linear interpolation is applied on zero coupon curves.

#### *Curve Use*

(c) : End of day is defined as 22.00 local London time (~~“(“EOD”):”~~). The following EOD data is used in the calculation of risk analytics for an EOD Margin Run (as defined in ~~Section 6.1.2~~;paragraph (b) of Section 1.6.1 (Types of Margin Runs)):

~~(a)~~(i) FX Spot Rates; and

~~(b)~~(ii) FX Swap Points.

### *Country Credit Spreads*

1.4.6 : The Clearing House takes country credit spreads (in relation to Brazil, Russia, India, China, Chile, South Korea, Colombia, Indonesia, Malaysia, Philippines and Taiwan) from Bloomberg for use in risk multiplier calculations.

## **2K.5.1.5 Valuation and Margin**

### **2K.5.1.5.1 Product Valuation**

#### *Net Present Value (“NPV”)*

(a) ”: From (and including) the Registration Time to the EOD Margin Run on the business day preceding the Valuation Date, each ForexClear Contract is valued in USD using the current market rates and discounted from the future Settlement Date to its present value (being valued using the data submitted by FXCCMs, in accordance with ~~Sections 4.2~~Section 1.4.2 (Market Data Sources and Frequencies)).

At EOD on the Valuation Date, the Settlement Rate is used to value the ForexClear Contract.

If Valuation Postponement applies, the ForexClear Contract is valued using the current forward price (based on the data submitted by FXCCMs, in accordance with ~~Sections 4.2~~Section 1.4.2 (Market Data Sources and Frequencies)) to (and including) the date on which the Settlement Rate is determined in accordance with the ForexClear Contract Terms.

#### **Variation Margin (“VM”)**

1.5.2 ~~VM for~~Variation Margin: Separate variation margin calculations are performed for a FXCCM's house "H" account and client "C" accounts and for each "C" Client Account which is a sub account of a FXCCM'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.

The variation margin requirement in respect of each ForexClear Contract is calculated at EOD as the change from the preceding business day in its NPV. ~~With respect to each FXCCM, the~~The net sum of the ~~VM for~~variation margin

requirements with respect to all of the open ForexClear Contracts is credited to or debited from such FXCCM (separately for the house account and each Client Account of the relevant FXCCM) once a day, following the EOD Margin Run.

Collateral in respect of variation margin ~~obligations~~ (adjusted by PAI, as set out below) will be transferred each business day by or to each FXCCM in respect of all of its open ForexClear Contracts. The variation margin ~~obligation~~ will be calculated in, and must be paid in, USD.

For the avoidance of doubt, any transfers of cash Collateral by an FXCCM to the Clearing House in respect of the FXCCM's variation margin obligations or by the Clearing House to an FXCCM in respect of the Clearing House's variation margin obligations shall be for the purposes of collateralisation and not settlement of obligations under the relevant contracts.

With respect to each ForexClear Contract, ~~VM~~the variation margin requirement is calculated every business day from (and including) the Registration Time to (and including) the EOD on the business day immediately preceding the Settlement Date.

### *Reporting Breakdown*

1.5.3 : ForexClear margin reports show the portfolio of open ForexClear Contracts of each FXCCM and of each FXD by Currency Pairs and in the Settlement Currency (i.e. USD).

### *Price Alignment Interest (“PAI”)*

1.5.4 ”: The effect of daily transfers of cash VM-movements Collateral in respect of variation margin results in the need for PAI. Without this adjustment, the pricing of ForexClear Contracts would differ from identical uncleared trades, as cash earned from favourable daily price moves would be priced into the product.

### *PAI Calculation Methodology*

(a) : PAI is calculated at EOD on each business day from (and including) the first business day after the Trade Date to (and including) the business day immediately preceding the Settlement Date.

In this Section ~~5.4~~, “1.5.4 (Price Alignment Interest), “T” means any given business day; “T-1” means the business day immediately preceding T; “T+1” means the business day immediately following T; and “MTM” means the total value (expressed in USD) of an FXCCM's portfolio open of ForexClear Contracts after valuation in accordance with Section ~~5.2~~ 1.5.2 (Valuation Margin) at close of business on any business day. The Clearing House calculates PAI in USD once a day at EOD.

(a)(i) Principles:



- ~~(i)~~(A) MTM is calculated at EOD on T-1.
- ~~(ii)~~(B) Change in MTM (net ~~VM~~variation margin obligations in respect of an FXCCM's portfolio of open ForexClear Contracts) is paid/ received on the morning of T.
- ~~(iii)~~(C) PAI Rate for T to be applied is known at EOD T.
- ~~(iv)~~(D) PAI is calculated on the night of T, for MTM of T-1 for ForexClear Contracts up to the business day before their Settlement Date.
- ~~(v)~~(E) PAI is paid / received on morning of T+1 via PPS.

~~(b)~~(ii) Components:

- ~~(i)~~(A) PAI Rate (annualised interest applied to an FXCCM's MTM).
- ~~(ii)~~(B) MTM;
- ~~(iii)~~(C) Accrual Factor (factor used to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year of 360 days).

~~(c)~~(iii) So:

$$\del(i)(A) \text{ PAI T} = \text{PAI Rate} \times \text{MTM}_{T-1} \times \text{Accrual Factor.}$$

The Clearing House uses the PAI Rate from the relevant EOD overnight index swap curves, which is sourced from the Clearing House.

#### ~~VM~~variation margin/PAI Adjustment

(b) : With respect to each FXCCM, the Clearing House makes the following adjustment to the EOD ~~VM~~variation margin:

- ~~(a)~~(i) if, with respect to its portfolio of open ForexClear Contracts, such FXCCM has (to but excluding the relevant EOD) paid an amount of Collateral in ~~VM~~respect of variation margin greater than the amount of ~~VM~~Collateral in respect of variation margin it has received, such FXCCM will receive PAI; and
- ~~(b)~~(ii) if, with respect to its portfolio of open if ForexClear Contracts, such FXCCM has (to but excluding the relevant EOD) received an amount of Collateral in ~~VM~~respect of variation margin greater than the amount of ~~VM~~Collateral in respect of variation margin it has ~~paid~~provided, such FXCCM will pay PAI.

#### *Initial Margin (“IM”)*

1.5.5 : The Clearing House will require FXCCMs to transfer Collateral to the Clearing House ~~Collateral~~ in respect of ~~their IM obligations~~ initial margin.

~~2K.5.5.1(a)~~ Calculation of Initial Margin: Separate initial margin calculations are performed for a FXCCM's Proprietary Account and for each Client Account. No offset between a Proprietary Account and a Client Account is allowed and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.

~~IM~~ The initial margin obligation will be calculated within the day and at EOD on each business day as part of each Margin Run. With respect to each FXCCM, it is calculated for the portfolio of open ForexClear Contracts and ForexClear Transactions using ForexClear's Portfolio Analysis and Risk (~~("FxPAR")~~) margining model, FxPAR is based on a modified historical simulation value-at-risk methodology. All open ForexClear Contracts and ForexClear Transactions in each Currency Pair are re-valued under a series of cross portfolio yield curve scenarios to estimate the potential portfolio profit and loss and therefore the ~~IM~~ initial margin requirement.

These scenarios will be continually monitored and reviewed periodically or on an ad hoc basis according to market conditions. ForexClear Clearing Members will usually be notified by the Clearing House of alterations to margin parameters no later than the day before calls are made based on the new parameters. Further details of this method are available upon request from the ForexClear Risk team.

FxPAR uses the market data submitted by FXCCMs pursuant to ~~Section 4~~ paragraph 1.5.1(a) (Product Valuation).

### *Initial Margin Risk Multipliers*

: Credit risk, liquidity risk and sovereign risk are measured and applied to FXCCMs as part of the ~~IM~~ initial margin requirement calculation.

### *Credit Risk Multiplier (~~("CRiM")~~)*

(b) : The CRiM applied will consider the FXCCM's credit worthiness, initial margin obligation level and/or stress testing exposures in accordance with LCH.Clearnet Credit Risk Policy.

### ~~2K.5.6.2(c)~~ Liquidity Risk multiplier (~~("LRMM")~~)

~~(a)~~ (i) Where an FXCCM has an exposure above set thresholds in a particular Currency Pair or tenor of ForexClear Contracts, the LRMM is applied and additional ~~IM is charged~~ Collateral in respect of the initial margin obligation is required. The LRMM is calculated in accordance with parameters set by the ForexClear Default Management Group (the ~~("FXDMG")~~) according to tenor and notional concentration. The thresholds

are reviewed quarterly and use prevailing perceptions of market conditions as seen by the FXDMG.

~~(b)~~ (ii) LRMM increases ~~IM~~ the Collateral called in respect of the initial margin obligation due to concentrated Currency Pair exposure by tenor of ForexClear Contracts. Additional ~~IM~~ Collateral is called to mitigate the risk of a position not being closed out in five days and/or the extra hedging costs that may be incurred.

~~(e)~~ (iii) The Clearing House calculates and applies LRMM as part of each Margin Run, based on the LRMM for each Currency Pair in the ~~FXCCM's house~~ FXCCM's "H" position-keeping account.

~~2K.5.6.3~~ (d) Sovereign Risk multiplier (“SRM”)

~~(a)~~ (i) An SRM is applied when there is a perceived risk of sovereign default or a change in a country's currency regime which would impact ForexClear Contracts transacted in certain Reference Currencies. The SRM takes into account:

(A) ~~(i)~~ — the probability of sovereign default or a regime change event occurring; and

(B) ~~(ii)~~ — the depreciation or appreciation risk of the Reference Currencies.

~~(b)~~ (ii) The SRM sovereign default probability is calculated by assessing the three month probability of default for the different sovereign countries, based on the country's 5-year credit default swap (CDS) spread. The probability of a regime change event is estimated based on historical events and publicly available data for the different sovereign countries. The country CDS spreads are reviewed and updated weekly.

~~(e)~~ (iii) The Clearing House calculates and applies the SRM as part of each Margin Run, for each Currency Pair in the ~~FXCCM's~~ house position-keeping account.

*Additional Margin*

(e) : The Clearing House may require an FXCCM to transfer additional Collateral to the Clearing House (in addition to amounts of Collateral already transferred to the Clearing House in respect of initial margin and variation margin obligations) as security for the performance by an FXCCM of its obligations to the Clearing House in respect of ForexClear Contracts to which such FXCCM is a party in accordance with Regulation ~~12.20~~ (Margin and Collateral). This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in ForexClear Contracts to which such FXCCM is a party not adequately covered by the Collateral transferred in respect of the initial

margin or variation margin obligations. This may cover instances where stress testing losses under various scenarios provided in the ForexClear Default Rules have increased.

*Minimum Excess Requirement Buffer* (~~“MER Buffer”~~)

(f) ”: To facilitate the intraday registration of ForexClear Contracts, at each EOD Margin Run, the Clearing House will call from each FXCCM an amount of ~~IM~~Collateral in respect of the initial margin obligation referred to as ~~“Minimum Excess Requirement Buffer”~~ (~~“MER Buffer”~~) in respect of that FXCCM’s potential intraday Liabilities (as defined below at Section ~~2K~~1.6.2) (Margin Run Process) for the following day.

The required amount of MER Buffer for an FXCCM is expressed as a percentage of the FXCCM’s start-of-day portfolio ~~IM~~initial margin, and is calibrated daily based on recent member activity such that higher levels of intraday trade volumes lead to a proportionally higher MER Buffer requirement and vice versa. The MER Buffer percentage is calculated as a given percentile of intraday peak relative ~~IM~~initial margin changes over a given number of historical business days.

The parameters of the MER model are: MER percentile, MER lookback period, relative MER cap and absolute MER floor. The values of these parameters are calibrated based on the quantitative analysis of the ~~FXCCMs’~~FXCCMs’ initial margin history across the ForexClear Service.

As ForexClear Contracts are registered in an FXCCM’s name, the Clearing House will, in accordance with the Margin Run process, calculate an FXCCM’s intraday Liabilities (or, in the case of an Incremental Risk Check, the FXCCM’s estimated Liabilities), taking into account any MER Buffer.

At each EOD Margin Run, the Clearing House will recalculate and call the FXCCM’s MER Buffer for the following day.

*Mutualised Credit Extension* (~~“MCE”~~)

1.5.6 ”: If an FXCCM has insufficient Collateral to enable the registration of further ForexClear Contracts in its name, then the Clearing House may make available to an FXCCM intraday credit by way of a Mutualised Credit Extension (~~“MCE”~~) to enable the FXCCM to register further ForexClear Contracts. An FXCCM may utilise MCE intraday on a one-to-one basis to the value of the ~~IM~~Collateral in respect of initial margin that would have been required to cover that FXCCM’s Liabilities (or, in the case of Incremental Risk Checks, the FXCCM’s estimated Liabilities). The amount of the MCE made available to an FXCCM in aggregate during any one day must not exceed an amount that is the lesser of: (a) 50% of the ForexClear MCE Default Fund Buffer; or (b) the sum of the ~~FXCCM’s~~FXCCM’s Collateral in respect of initial margin and ForexClear Contribution. The amount of the

**“ForexClear MCE Default Fund Buffer”** is currently zero and therefore the Clearing House will not provide MCE to any FXCCM until further notice.

For the avoidance of doubt, MCE is provided in the form of intraday initial margin forbearance and an FXCCM’s utilisation of MCE does not give rise to any payment or transfer of **Collateral** by the Clearing House nor does it result in any use of the ForexClear Fund Amount (except in events of default).

All MCE credit extended on any given day shall be revoked at the close of business on such day (unless revoked earlier in accordance with the following paragraph). As part of each EOD Margin Run, the Clearing House will call **IMCollateral in respect of initial margin obligations** from each FXCCM to replace any utilised MCE and that FXCCM’s MCE will be reset for the following day (assuming such FXCCM has satisfied any margin calls). Any failure of an FXCCM to satisfy an **IMinitial margin** call relating to the replacement of MCE constitutes a default by such FXCCM – just as any failure by an FXCCM to satisfy any other type of initial margin call constitutes a default.

The MCE is made available at the Clearing House’s sole discretion. In particular (but without limitation), the Clearing House may refuse to extend MCE to any or all FXCCMs on risk management grounds, and may at any time require an FXCCM to provide **IMCollateral in respect of initial margin** in place of any utilised MCE.

#### *Initial Margin Management Events Service (“**IMMES**”)*

1.5.7 “): **IMMES** aims to find risk and **IMinitial margin** reducing ForexClear Contracts amongst participating FXCCMs. **IMMES** can be run on all Currency Pairs that are cleared through the ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest **IMCollateral** requirement.

FXCCMs who wish to obtain further information about, or to participate in, **IMMES** should contact ForexClear Business Operations on 0207 426 7527. To be eligible to participate in **IMMES**, an FXCCM must enter into an **IMMES** agreement with the Clearing House (the “**IMMES Agreement**”).

#### 2K.5.8.1(a) *Step-By-Step Details*

- (a)(i) The Clearing House usually conducts the **IMMES** at least monthly.
- (b)(ii) A reminder that there is an **IMMES** run taking place is sent out the week before to each FXCCM which is a party to an **IMMES** Agreement with LCH and each FXCCM is asked to confirm their participation.
- (c)(iii) On the day of the scheduled **IMMES** run, the Clearing House analyses all participating FXCCMs’ profiles to find ForexClear Contracts with equivalent and opposite delta values by tenor

and Currency Pair to compile a list of offsetting suggested trades that are mutually beneficial in terms of ~~IM~~initial margin obligation reduction (the “IMMES Trades”).

- ~~(d)~~(iv) The Clearing House then analyses the relevant FXCCM ForexClear Contract portfolios with the IMMES Trades and determines the change in NPV, ~~IM~~initial margin, delta and zero yield sensitivity from the IMMES Trades.
- ~~(e)~~(v) The FXCCMs on either side of the trades are advised of the economic details of the IMMES Trades.
- ~~(f)~~(vi) If the two FXCCMs agree to undertake the IMMES Trades, the Clearing House will then put them in touch with each other. The FXCCMs will enter into the bilateral IMMES Trades and submit them to the Clearing House through the ForexClear Matcher for registration.

## 2K.6.1.6 General Margining Process

A “Margin Run” is the process by which the Clearing House calculates an ~~FXCCM’s IM~~FXCCM’s initial margin requirement (if any) and, during an EOD Margin Run, its ~~VM~~variation margin requirement and PAI adjustment (if required) (together its “Margin Requirements”) and applies that FXCCM’s Collateral to satisfy the Margin Requirements for that FXCCM in respect of the ForexClear Contracts within that FXCCM’s portfolio.

### *Types of Margin Runs*

1.6.1 : There are three types of Margin Run:

#### 2K.6.1.1(a) ITD/Ad Hoc - Day Margin Run

- ~~(a)~~(i) ITD/Ad-hoc London daytime Margin Runs are initiated as and when dictated by the schedule published by the Clearing House and notified to FXCCMs from time to time (the “Schedule”) or as necessary, and are performed in the time period during which a PPS call can be made (the “ITD/Ad-hoc Day Margin Run”). PPS times are published on the Clearing House’s website at: [http://www.lchclearnet.com/risk\\_management/ltl/pps/](http://www.lchclearnet.com/risk_management/ltl/pps/).
- ~~(b)~~(ii) ITD/Ad-hoc Margin Runs are calls in respect of ~~IM~~only the initial margin obligation only. The variation margin obligation and PAI are not included in ITD/Ad-hoc Margin Runs.

#### 2K.6.1.2(b) EOD Margin Run

- ~~(a)~~(i) The EOD Margin Run is the final ITD/Ad-hoc Day Margin Run that completes by 24:00 local London time on that business day (the “EOD Margin Run”).



~~(b)(ii)~~ EOD Margin Runs are calls in respect of ~~IM~~initial margin as well as ~~VM~~variation margin obligations and PAI.

~~2K.6.1.3~~(c) ITD / Ad Hoc - Night Margin Run

~~(a)(i)~~ ITD/Ad-hoc London overnight Margin Runs are initiated as and when dictated by the Schedule or as necessary, and are performed in the time period during which a PPS call cannot be made (the ~~“ITD/Ad-hoc Night Margin Run”~~).”).

~~(b)(ii)~~ ITD/Ad-hoc Night Margin Runs are calls in respect of ~~IM~~the initial margin obligation only. ~~VM~~ The variation margin obligation and PAI are not included in ITD/Ad-hoc Night Margin Runs.

~~2K.6.2~~1.6.2 Margin Run Process

(a) Margin Runs cover all registered ForexClear Contracts with the status ~~“NOVATED”~~.”).

(b) Margin runs will be carried out for each ForexClear Contract and ForexClear Transaction (as the case maybe) until (and including) the later of:

(i) EOD Margin Run on the Settlement Date; or

(ii) EOD Margin Run after the Settlement Rate is published.

(c) During every Margin Run the Clearing House calculates the Collateral required in respect of the initial margin obligations and (where applicable) the Collateral required in respect of the variation margin obligations and PAI required to cover each FXCCM<sup>2</sup>'s relevant open ForexClear Contracts and ForexClear Transactions (each a ~~“Liability”~~ and together the ~~“Liabilities”~~). For these purposes, liabilities in respect of the open ForexClear Contracts and ForexClear Transactions registered in an FXCCM's Proprietary Account and in each of the FXCCM's Client Accounts will be calculated separately.

(d) Each FXCCM<sup>2</sup>'s Liability;

(i) in respect of the open ForexClear Contracts registered in an FXCCM's Proprietary, is offset against that FXCCM<sup>2</sup>'s non-cash collateral account (being a sub-account of the ~~FXCCM's financial~~FXCCM's "H" collateral account) (for ~~IM~~Collateral in respect of initial margin only) or funds in that ~~FXCCM's~~FXCCM's "H" house cash account (being a sub-account of the ~~FXCCM's financial~~FXCCM's "H" collateral account) (for ~~VM~~variation margin/PAI/IM). ~~IM will always be a Liability (payable to the Clearing House)~~initial margin; and ~~VM and PAI may be a~~

~~(d)~~(ii) in respect of the open ForexClear Contracts registered in a particular FXCCM's Client Account, is offset against the relevant non-cash ~~posting~~collateral account (being a sub-account of the FXCCM's Client Account) (for Collateral in respect of initial margin only) or funds in the relevant "C" client cash account (being a ~~Liability (payable by, or to, the Clearing House, respectively)~~sub-account of the FXCCM's Client Account) (for variation margin/PAI/initial margin).

(e) FXCCMs are informed via email of their Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the ~~"ForexClear Service Portal"~~) which provides reports (at the times specified in Section ~~7.1~~1.7.1 (Margin Liability Reports)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for the ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).

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

## 2K.7.1.7 **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, thus an FXCCM will receive reports in respect of ForexClear 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](http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf).<sup>2,3</sup>

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

<sup>2</sup> ~~http://www.lchclearnet.com/Images/banking\_report\_tcm6-48011.pdf~~

<sup>3</sup> [http://www.lchclearnet.com/Images/banking\\_report\\_tcm6-48011.pdf](http://www.lchclearnet.com/Images/banking_report_tcm6-48011.pdf)



The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a ForexClear Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of applicable law.

### *Margin Liability Reports*

1.7.1 : Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin Run in accordance with Section ~~6.21.6.2~~ (Margin Run Process) and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that ~~not all the~~ certain Liabilities of ~~all~~ FXCCMs ~~as covered by collateral by 22:00 local London~~ are not discharged at the relevant time. A report will also be provided detailing an FXCCM's Collateral utilisation level. ~~If an FXCCM's~~ Liabilities exceed its total available Collateral, ForexClear will alert the FXCCM.

### *Market Data Reports*

1.7.2 : Reports detailing Market Data are provided to FXCCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in ~~IM~~ the initial margin requirement calculations.

### *Trade Reports*

1.7.3 : Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.

### *Trade Fixing and Settlement Reports*

1.7.4 : Reports are published on each business day detailing the ForexClear Contracts to which the Settlement Rate has been applied on that business day (the "NDF Fixings" report), ForexClear Contracts that have been settled during that current business day (the "Settlements Today" report) and ForexClear Contracts that will settle the next business day (the "NDF's Fixed with Settlement Tomorrow" report).

### *Fees Reports*

1.7.5 : Reports on trading volumes on a daily and monthly basis are provided to FXCCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly

transaction fees will be charged to those FXCCMs choosing to have tariffs levied per transaction.

### *Banking Reports*

1.7.6 : [Follow this link for a full list of Banking reports.](#)<sup>4</sup>

### *Real-time Reporting*

1.7.7 : A near real-time view of member liabilities, collateral pledged, collateral and credit utilisation will be available from the ForexClear Service Portal (referred to in ~~Section paragraph 2K.6.2(e)~~ [of Section 1.6.2 \(Margin Run Process\)](#)).

## 2K.8.1.8 **Treasury Operations & Collateral Management**

### *Cover Distribution*

1.8.1 : The Clearing House nets each FXCCM's Liabilities (i.e. ~~margin obligations~~ [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 collateral~~ [distribution \("Cover \("Collateral Distribution"\)"\)](#). FXCCMs can choose whether cash or non-cash Collateral should be applied first. At the end of this process, if an FXCCM has a shortfall, a PPS (as defined in ~~Section 8.2.1.8.2~~ [\(Protected Payment System\)](#) below) call for additional Collateral is made. Conversely, any excess cash remaining after the final overnight Margin Run can, if requested before 09:30 local London time, be repaid to the FXCCM.

#### 2K.8.1.4(a) *Cover Distribution Notification*

~~(a)~~ (i) FXCCMs are informed via email of their: Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral 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 7.4~~ [1.7.1 \(Margin Liability Reports\)](#)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for ~~the ForexClear Service (including MCE, if any)~~; and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).

~~(b)~~ (ii) The reports accessed via the ForexClear Service Portal will enable FXCCMs to log in and examine the underlying data.

<sup>4</sup> ~~[http://www.lchclearnet.com/membership/ltd/training\\_and\\_education/banking\\_reports\\_reference\\_pack.asp](http://www.lchclearnet.com/membership/ltd/training_and_education/banking_reports_reference_pack.asp)~~

<sup>5</sup> [http://www.lchclearnet.com/membership/ltd/training\\_and\\_education/banking\\_reports\\_reference\\_pack.asp](http://www.lchclearnet.com/membership/ltd/training_and_education/banking_reports_reference_pack.asp)

### *Protected Payment System*

1.8.2 : The Clearing House operates the Protected Payments System (“PPS”) for transferring funds to and from its FXCCMs 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.

FXCCMs are obliged to hold an account with a London 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 Banks<sup>6</sup>](#).

### *Acceptable Forms of Collateral Cover*

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

[Risk Management/LCH.Clearnet Ltd/Acceptable Collateral<sup>8</sup>](#).

### *Interest and Accommodation*

1.8.4 : Interest is paid to FXCCMs on cash eCollateral held by the Clearing House. The London Deposit Rate (“LDR”) is applied.

A utilisation 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 charges<sup>10,11</sup>](#).

## **2K.91.9 Payment of Stamp Tax**

Each FXCCM shall pay any Stamp Tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located (“Stamp Tax Jurisdiction”) 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

<sup>6</sup>—[http://www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

<sup>7</sup>[http://www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

<sup>8</sup>—[http://www.lchclearnet.com/Images/Section4\\_tcm6-43748.pdf](http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf)

<sup>9</sup>[http://www.lchclearnet.com/Images/Section4\\_tcm6-43748.pdf](http://www.lchclearnet.com/Images/Section4_tcm6-43748.pdf)

<sup>10</sup>—[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

<sup>11</sup>[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

the Clearing Membership Agreement, the Regulations and the Procedures (including any registration of a ForexClear Contract) by any such Stamp Tax Jurisdiction or by any other jurisdiction.

## **DEFAULT MANAGEMENT**

### **1.10 Default Management**

#### *Portfolio Splitting:*

1.10.1 As part of the ForexClear Default Management Process, 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 Default Management Group, seek to create:

- (a) 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
- (b) one or more individual Auction Portfolios which are more risk neutral.

#### *Acceptance of Bids*

1.10.2 : 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:

- (a) cause the Clearing House to breach any legal or regulatory requirement applicable to it by virtue of its being a Recognised Clearing House or a Derivatives Clearing Organization;
- (b) cause the Clearing House or its membership any reputational harm;
- (c) cause legal action or proceedings to be taken against the Clearing House; or
- (d) endanger the Clearing House, any of its clearing members or the financial markets in which the Clearing House operates.

Where the Clearing House receives more than one bid from the same ForexClear Clearing Member and in respect of the same Auction the Clearing House is entitled to accept the last bid received by it in respect of that Auction. Where the Clearing House does not receive a bid that was made by a ForexClear Clearing Member for operational, technological or other similar reasons and as a result of which a bid does not reach the Clearing House, the Clearing House will be unable to accept a bid and shall not be liable for any failure to accept such bid.

### *Affiliate Bidding*

1.10.3 : ForexClear Clearing Members are entitled to bid for an Auction Portfolio on behalf of an affiliated ForexClear Clearing Member. Where a ForexClear Clearing Member makes a bid and that ForexClear Clearing Member has an affiliated ForexClear Clearing Member that does not make a bid, the Clearing House shall not (unless instructed otherwise in accordance with the paragraph below) assume that the bidding ForexClear Clearing Member has made the relevant bid on behalf of a non-bidding, affiliated ForexClear Clearing Member.

A ForexClear Clearing Member may notify the Clearing House, in advance of an Auction, that it wishes to bid on behalf of an affiliated ForexClear Clearing Member. Where it wishes to do so, the ForexClear Clearing Member should contact the Clearing ~~House's Membership Department~~House's Client Services Team (membership@lchclearnet.com; +44 (0)207 426 7949<sup>12</sup>).

### *Default Fund: ForexClear Contributions*

1.10.4 : ForexClear Contributions ~~(as defined in the Default Fund Rules)~~ will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the ForexClear Contribution under Rule F2(a) of the Default ~~Fund~~ Rules (each a ~~"ForexClear Reset Day"~~). ForexClear Contribution requirements will be notified to ForexClear Clearing Members at least two working days prior to each ForexClear Reset Day on Member Intranet Report 000032.

Excess ForexClear Contribution amounts due to ForexClear Clearing Members following the adjustment to the ForexClear Contribution will be repaid to ForexClear Clearing Members' PPS accounts on the ForexClear Reset Day immediately following the adjustment to the ForexClear Contribution.

Interest on ForexClear Contributions will be paid to ForexClear Clearing Members' PPS accounts on the first working day after the ForexClear Reset Day following the end of the relevant ~~"interest accrual period"~~. Interest is calculated in respect of each ~~"interest accrual period"~~, which commences on (and includes) a ForexClear Reset Day and ends on (and includes) the calendar day immediately before the next ForexClear Reset Day.

### *Quantifying ForexClear Contributions*

1.10.5 : For the purposes of calculating the ForexClear Margin Weight under Rule F2(d) of the ForexClear Default Fund Supplement, the average daily requirement for the initial margin obligation applied to an FXCCM shall be determined by reference to the ForexClear Contracts comprising both the ForexClear House Business and the ForexClear Client Clearing Business of that FXCCM ~~only~~.

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<sup>12</sup> LCH to update contact details for Client Services Team.

## Outsourcing

1.10.6 : Pursuant to Section ~~1~~ (Membership 1 (Clearing Member and Dealer Status)) of the Procedures, an FXCCM may appoint a third party to fulfil one or both of the ~~the~~ Clearing House's Membership requirements to: (i) participate in a ForexClear ~~"fire drill"~~ run by the Clearing House; and (ii) participate in the ForexClear Default Management Process operated by the Clearing House. Where an FXCCM chooses to outsource one or both of these functions it must appoint and maintain at least three LCH Approved Outsourcing Agents.

The following entities are eligible for appointment as an LCH Approved Outsourcing Agent:

- A ForexClear Clearing Member
- any other entity that the Clearing House deems appropriate in its sole discretion.

Where an FXCCM wishes to appoint a third party to carry out any obligation on its behalf, it should contact the Clearing House's Membership Department with the:

- (a)          details of the third party entity that the FXCCM wishes to appoint as an LCH Approved Outsourcing Agent. Such information should include details of the applicant's regulatory status;
- (b)          evidence of the existence of a legally binding agreement between the FXCCM Clearing Member and the third party; and
- (c)          such other information that the Clearing House reasonably considers necessary for the purposes of determining whether an entity should be approved as an LCH Approved Outsourcing Agent.

Following the receipt of all of the information above, the Clearing House shall determine in its sole discretion, whether to approve the third party as an LCH Approved Outsourcing Agent. In making its determination, the Clearing House shall consider the third party's ability to demonstrate that it has the necessary operational infrastructure and appropriate asset class expertise.

Where an FXCCM successfully appoints an LCH Approved Outsourcing Agent, that FXCCM may be subject to increased margin requirements to cater for the additional time required to invoke an outsourcing process in the event of a default

FXCCMs should note that LCH Approved Outsourcing Agents may be subject to a more rigorous driving test and fire-drill than FXCCM (i.e. required to demonstrate an ability to price and bid a greater number of trades at tighter pricing tolerances and within more onerous timeframes). In addition, the Clearing House may require an FXCCM, that has appointed an LCH Approved Outsourcing Agent, to participate in an ad-hoc fire-drill or driving

test with such notice as the Clearing House deems appropriate in its sole discretion.

The Clearing House reserves the right to revoke an entity's status as an LCH Approved Outsourcing Agent, in its sole discretion and without notice. In the event of such a revocation, the relevant FXCCM shall be required to assume those responsibilities that were previously outsourced. Such revocation may occur where the Clearing House considers that there is an insufficient number of third party entities that are providing outsourced default management services (usually a minimum of five providers at any one time).

Other than in exceptional circumstances and in the Clearing House's sole discretion, an LCH Approved Outsourcing Agent may not act on behalf of more than three clearing members.

The appointment of an LCH Approved Outsourcing Agent does not absolve an FXCCM of its obligations under the ForexClear DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the ForexClear DMP on behalf of an FXCCM, in the event of a default, shall not extend beyond the provision of operational and other ancillary support to that FXCCM.

#### ForexClear DMG

1.10.7 : The necessary involvement of FXCCMs and the ForexClear DMG in the ForexClear DMP entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, [Appendix 2K.A Schedule 1 \(Confidentiality, non-disclosure and participation in the ForexClear Default Management Group\)](#) establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on FXCCMs (and their executives or directors who participate from time to time in the ForexClear DMG) and on the Clearing House.

Each FXCCM who makes available a representative to serve on the ForexClear DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the ForexClear DMG complies with [Appendix 2K.A Schedule 1 \(Confidentiality, non-disclosure and participation in the ForexClear Default Management Group\)](#) covering confidentiality, non-disclosure and other terms.



## **Appendix 2K.A**

### **1.11 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 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 Rules of the Clearing House or any 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 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.

### **1.12 ForexClear Client Clearing**

#### 1.12.1 ForexClear Clearing Client Clearing – Ancillary Documentation

- (a) Security Deed: Unless specified otherwise by the Clearing House, a ForexClear 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 ForexClear Clearing Member is required to ensure that it includes certain language in its agreement with its ForexClear Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*) of the Clearing House Procedures.

ForexClear Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[●]<sup>13</sup>

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13 To insert web address upon the relevant website link going live



1.12.2 Transactions in Respect of ForexClear Clearing Client Default to FXCCM

- (a) This Section describes certain transactions that, under certain conditions, can be carried out by an FXCCM in respect of one of its ForexClear Clearing Clients that has defaulted in its obligations to the FXCCM.
- (b) A request or instruction from an FXCCM to the Clearing House to carry out a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below shall in every case be deemed a representation by the FXCCM to the Clearing House that (i) the affected ForexClear Clearing Client is in default of its obligations to the FXCCM, (ii) the FXCCM has provided and will provide (as applicable) any required notices to the ForexClear Clearing Client of its default and the FXCCM's transactions effected under Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) and/or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below, and (iii) the FXCCM is permitted by its agreements with the ForexClear Clearing Client and applicable law, and has authority to effect the transactions specified in the FXCCM's requests and/or instructions to the Clearing House in respect of such ForexClear Clearing Client. FXCCMs are not permitted to effect or attempt to effect a transaction described in Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts Entered into, or Cancelled, on behalf of Defaulted Clients*) below where the preceding representations are not satisfied.
- (c) In any other circumstance not covered by Sections 1.12.3 (*Transfers between Client Accounts and Proprietary Accounts*) or 1.12.4 (*ForexClear Contracts entered into on behalf of Defaulted Clients*), a FXCCM may only instruct the Clearing House to transfer a ForexClear Contract from its Client Account to its Proprietary Account in circumstances where the Clearing House has received from the FXCCM:
- (i) evidence of the relevant ForexClear 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 ForexClear Contracts to be transferred pursuant to this paragraph (c) within 24 hours of receipt (to the extent applicable) of the documents listed in sub-paragraphs (i) and (ii) above, unless such transfer is contested by the relevant ForexClear Clearing Client.

1.12.3 *Transfers 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 FXCCM and a ForexClear Clearing Client in respect of which such FXCCM is a party to Related ForexClear Contracts and, at the time of such early termination date, the relevant FXCCM is not a Defaulter, the FXCCM may, in connection with a defaulted ForexClear Clearing Client, transfer a ForexClear Contract from the applicable Client Account to its Proprietary Account, provided that the following conditions are met (in addition to any other generally applicable provisions of the Rulebook):

(i) the representations described above in paragraph (b) of Section 1.12.2 (*Transactions in Respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;

(ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);

(iii) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to transfer the relevant ForexClear Contract to the Clearing House;

(iv) at all times the FXCCM maintains sufficient Collateral in its Proprietary Account and the applicable Client Account; and

(v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.

For the purposes of this Section 1.12.3 a "**Related ForexClear Contract**" means, in respect of a transaction between a FXCCM and a ForexClear Clearing Client which has been terminated on an early termination date, the open position represented by the ForexClear Contract entered into with the Clearing House by such FXCCM on behalf of the relevant ForexClear Clearing Client on equal and opposite terms to such transaction.

(b) The Clearing House will typically (but shall not be required to) transfer the relevant ForexClear Contract within 24 hours of receipt of the above.

(c) A ForexClear Contract transferred in this manner shall be transferred through novation, from the ForexClear Clearing Client to the FXCCM

in the case of a transfer from a Client Account to the Proprietary Account, and from the FXCCM to the ForexClear Clearing Client in the case of a transfer from a Proprietary Account to a Client Account.

1.12.4 *ForexClear Contracts Entered into, or Cancelled, on Behalf of Defaulted Clients*

- (a) An FXCCM may register, in the name of a defaulted ForexClear Clearing Client but without the direction of such ForexClear Clearing Client, ForexClear Contracts (including hedging and/or compression transactions) to such Client Account, or cancel ForexClear Contracts without the direction of such ForexClear Clearing Client under the following conditions (in addition to any other generally applicable provisions of the Rulebook):
- (i) the representations described above in paragraph 1.12.2(b) (*Transactions in respect of ForexClear Clearing Client Default to FXCCM*) are not or would not be breached;
  - (ii) satisfactory evidence of the ForexClear Clearing Client's default in its obligations to the FXCCM is presented to the Clearing House, which evidence may be, to the extent permitted by the Clearing House in its sole discretion, nothing other than the FXCCM's instruction to effect the transfer (provided that the Clearing House shall be entitled to request additional evidence in its discretion);
  - (iii) at all times the FXCCM maintains sufficient Collateral in the applicable Client Account;
  - (iv) a copy of a notice served by the FXCCM on the ForexClear Clearing Client alerting that ForexClear Clearing Client of the FXCCM's intention to register the relevant ForexClear Contract(s) is provided to the Clearing House; and
  - (v) on demand from the Clearing House, an indemnity from the FXCCM in a form suitable to the Clearing House is provided to the Clearing House.
- (b) Such a ForexClear Contract submitted for registration in the name of a defaulted ForexClear Clearing Client must reference the applicable ForexClear Clearing Client and Client Account as would ordinarily occur; however, the transaction may be submitted using either the ForexClear Clearing Client's ForexClear Matcher identification number or an alternative ForexClear Matcher identification number other than that of the ForexClear Clearing Client (e.g., the FXCCM's ForexClear Matcher identification numbers), as applicable.

1.12.5 *Backup Clearing Members:*

A ForexClear Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the ForexClear Contracts entered into by a ForexClear Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a ForexClear Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a ForexClear Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by a ForexClear Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that ForexClear Contracts will always be transferred to that Backup Clearing Member. Porting of ForexClear Contracts, following a ForexClear Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

### 1.13 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 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 Rules of the Clearing House or any 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 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.

### 1.14 Indirect Clearing

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

(a) in circumstances where (i) the ForexClear 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 ForexClear 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 ForexClear 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 ForexClear Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant ForexClear Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**)"); or

(c) transfer the relevant Related ForexClear Contracts from the relevant Indirect Omnibus Segregated Account to its 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 ForexClear 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 ForexClear Contracts to the ForexClear Clearing Member's Proprietary Account (a "**Fallback Transfer**)).

1.14.2 Each of the steps referred to in paragraphs 1.14.1 (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 ForexClear Clearing Member to the relevant ForexClear Clearing Client or from the relevant ForexClear Clearing Client to the relevant ForexClear 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 ForexClear Clearing Member on the relevant ForexClear Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that ForexClear Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related ForexClear 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 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.

## SCHEDULE 1

### CONFIDENTIALITY, NON-DISCLOSURE AND PARTICIPATION IN THE FOREXCLEAR DEFAULT MANAGEMENT GROUP

#### 1. Definitions

- 1.1 **“Confidential Material”** means data (including but not limited to portfolio data) and documents, which are not in the public domain and which are disclosed to the FXCCM, its associated companies and advisers, or to which the FXCCM, its associated companies and advisers obtains or otherwise has access as a result of participation in the ForexClear Default Management Process, (which, for the avoidance of doubt, does not include any information, data or documents provided to the Clearing House by the FXCCM).
- 1.2 **“FXDMG Member”** means an individual appointed by a Nominating FXCCM.
- 1.3 **“Nominating FXCCM”** means a ForexClear Member who, through their obligations under the ForexClear DMP Annex, makes available a representative to serve on the FXDMG.
- 1.4 **“Permitted Purpose”** means proper fulfilment by the FXCCM of its duties under the ForexClear DMP Annex and includes, after the completion of the Auction, the use by the FXCCM its associated companies and advisers (to be determined by it at its discretion) of any data or documents related to portfolios successfully won through the Auction, for the purposes of its own ongoing portfolio management and to enable it to comply with ongoing legal or regulatory requirements.
- 1.5 References denoting the masculine (including **“his”** and **“he”**) shall be construed as the feminine if the FXDMG Member is female.
- 1.6 All other terms have the meaning ascribed to them in the Default Rules (including the ForexClear DMP Annex).

#### Confidentiality and Non-Disclosure: General Obligations of the FXCCM

#### 2. Confidentiality

- 2.1 The FXCCM agrees that, in consideration of being given Confidential Material, it will keep all such Confidential Material in the strictest confidence, adhere to the provisions of this Agreement in respect thereof and, subject to paragraph 2.3 [below](#), will not disclose it to any person without the prior written permission of the Managing Director, Risk of the Clearing House or a Director of Risk Management of the Clearing House, providing always that the FXCCM shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if :
- (a) it comes into the public domain other than through a breach by the FXCCM of this Agreement; or
  - (b) the FXCCM is expressly obliged to do so by order of a court of competent jurisdiction upon the application of a third party, or as a result of any request to disclose such part or parts of the Confidential Material in connection with

any inquiry or other request by a regulatory authority or self-regulatory authority asserting jurisdiction over the FXCCM.

- 2.2 The FXCCM further agrees that it will not use any Confidential Material for any purpose other than the Permitted Purpose. In this regard the FXCCM expressly acknowledges and agrees that the Confidential Material may contain commercially sensitive information which if used inappropriately or otherwise than in accordance with this ~~Appendix 2K.A~~ [Schedule 1](#) might result in the gaining of an unfair commercial advantage by the FXCCM over other members of the Clearing House ForexClear Service.
  - 2.3 Subject to paragraph ~~2.5~~ [2.4 below](#) the FXCCM may disclose any Confidential Material to any of its employees, representatives, associated companies and advisers on a "strictly need to know" basis, in the event that any such person needs that Confidential Material for the Permitted Purpose (and to that extent only).
  - 2.4 The FXCCM agrees to establish and adhere to adequate procedures (including, without limitation, the establishment of appropriate Chinese walls) to ensure that any employee or representative to whom any Confidential Material is disclosed shall not use any part or all of that Confidential Material for any proprietary purpose outside the scope of the Permitted Purpose.
  - 2.5 This paragraph and the duties hereunder shall survive the termination of this ~~Appendix 2K.A~~ [Schedule 1](#) and, in relation to any Confidential Material, shall expire on the second anniversary of the date the Confidential Material was first provided to the FXCCM.
3. **Secrecy**
- 3.1 Except in accordance with the terms of this ~~Appendix 2K.A~~ [Schedule 1](#), the FXCCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:
    - (a) Confidential Material;
    - (b) the fact that it has received any Confidential Material;
    - (c) the existence of any discussions or negotiations between the parties in this matter.
    - (d) details of the Permitted Purpose and any of the proposals, terms, conditions, facts or other matters relating to any of the forgoing. Subject only to the FXCCM being relieved of such an obligation because of the circumstances covered in paragraphs ~~2.1a) and 2.1b)~~ [2.1\(a\) and 2.1\(b\)](#).
  - 3.2 The Clearing House undertakes to ensure that the FXCCM is fully appraised of information on the ForexClear Default Management Process that it makes public and which is accordingly of relevance to the FXCCM's obligations.



#### 4. **Property**

~~4.4~~ The parties acknowledge that the property in the Confidential Material (or any part of it) shall not pass to the FXCCM or any FXCCM, and the property in the media on which it is conveyed to the receiving party shall not pass to the FXCCM or any FXCCM unless expressly so agreed by the Clearing House in writing.

#### 5. **Return of Confidential Material**

~~5.4~~ Upon request by the Clearing House, and in any event upon fulfilment of the Permitted Purpose, the FXCCM shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in its possession or control or that of its employees or representatives, including all other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so provided that the FXCCM is permitted to retain copies of any Confidential Material which it requires as part of its portfolio management or otherwise for legal or regulatory reasons.

#### 6. **No Representations or Warranties; No Conflict of Interest**

6.1 Subject to references made in ~~paragraph 7, Paragraph 7~~ [\(Liability\)](#), the Confidential Material is disclosed by the Clearing House without any representation or warranty whatsoever as to its accuracy or completeness or otherwise.

6.2 The Clearing House acknowledges and agrees that, subject to compliance with the terms of this ~~Appendix 2K.A~~ [Schedule 1](#) by the FXCCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this ~~Appendix 2K.A, the FXCCM's~~ [Schedule 1, the FXCCM's](#) participation in the ForexClear Default Management Process shall not prevent the FXCCM from carrying out any transaction, or otherwise providing investment services in respect of, investments that the FXCCM may subsequently learn are the subject of Confidential Material and, furthermore, the Clearing House agrees that it shall not be able to assert that the FXCCM has a conflict of interest in doing so nor shall the Clearing House have a claim or action in respect of the foregoing against the FXCCM or any of its directors, employees or other representatives.

#### 7. **Liability**

7.1 Subject to Regulation ~~39,52~~ [\(Exclusion of Liability\)](#), the parties agree and acknowledge that neither the Clearing House nor any of its employees or representatives shall have any liability whatsoever to the FXCCM or any of its employees or representatives, for any loss or damage of whatsoever kind howsoever arising directly or indirectly out of or in connection with the disclosed Confidential Material or its use.

7.2 The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and any fraud or wilful default on the part of the Clearing House, for any actions that it may take on the basis of advice given to it by the FXDMG, and for the accuracy of the information (confidential material as defined

in this ~~Appendix 2K.A)~~[Schedule 1](#)) that it distributes to the FXCCM in connection with the ForexClear Default Management Process.

- 7.3 Under no circumstances shall the Clearing House have any liability to the FXCCM for (a) any consequential loss or other indirect loss of whatsoever kind or (b) loss of anticipated profit (whether direct or indirect).

## 8. Remedies

~~8.4~~ Without affecting any other rights or remedies that the Clearing House may have, the FXCCM acknowledges that the Clearing House may be irreparably harmed by any breach of the terms of this ~~Appendix 2K.A)~~[Schedule 1](#) and that damages alone may not necessarily be an adequate remedy. Accordingly, the Clearing House will be entitled to the remedies of injunction, specific performance and other equitable relief, or any combination of these remedies, for any threatened or actual breach of its terms, and not proof of special damages will be necessary to enforce this Agreement.

## Confidentiality and Non-Disclosure and General Terms of Participation in ForexClear Default Management Group

### 9. Conflict of Interest

~~9.4~~ The FXCCM shall procure that, in the event that a FXDMG Member takes the view that a possible conflict of interest may arise with regard to any matter forming part of the business of the FXDMG, he shall promptly report his view to the Chairman of the FXDMG, who shall act accordingly, taking the advice of other FXDMG Members as appropriate.

### 10. Confidentiality

- 10.1 Subject to paragraph ~~10.3~~[10.3](#) below, the FXCCM shall procure that the FXDMG Member shall keep all Confidential Material strictly confidential to himself and will not disclose it to any person who is not a FXDMG Member (including, for the avoidance of doubt, the FXCCM who recommended his appointment to the FXDMG (the Nominating FXCCM) or his employer (if different) or any other employee, adviser, officer or fellow worker of that FXCCM or his employer) without the prior written permission of the Managing Director, Risk of the Clearing House or his properly authorised delegate, providing always that the FXDMG Member shall be relieved of such an obligation of confidentiality in respect of any Confidential Material if it comes into the public domain in the circumstances covered in paragraphs ~~2.1a) and 2.1b)~~[2.1\(a\) and 2.1\(b\) above](#).
- 10.2 Subject to paragraph ~~10.3~~[10.3](#) below, the FXCCM shall procure that the FXDMG Member shall not use any Confidential Material for any purpose other than the proper fulfilment of his duties as a FXDMG Member.
- 10.3 The parties acknowledge that, in the event that a Default Notice is issued by the Clearing House in respect of any ForexClear Clearing Member, the FXDMG Member may be required by the Nominating FXCCM and/or his employer (if different) to provide certain services to the Clearing House in the management of the default. In such event, and only in such event, the parties acknowledge that the FXDMG

Member shall be entitled to disclose any part or parts of the Confidential Material as may be agreed by the Clearing House, in such manner and form and in accordance with such procedures as may be prescribed by the Clearing House and/or the FXDMG with regard to the management of that default.

- 10.4 Upon request by the Clearing House, and in any event upon termination of the membership of the FXDMG Member of the FXDMG, the FXCCM shall procure that the FXDMG Member shall promptly return to the Clearing House by a secure method of transportation all or any part of the Confidential Material and all copies thereof in his possession or control, including all abstracts, notes, drawings and other papers, programs and records incorporating any of that Confidential Material, or shall destroy such information and shall certify to the Clearing House in writing that it has done so, provided that the FXDMG Member is permitted to retain a copy thereof to comply with applicable legal or regulatory requirements.

## 11. **Warranty and Representation**

~~44.4~~ The FXCCM represents and warrants that it will procure that:

- (a) the Nominating FXCCM and the FXDMG Member's employer (if different) are aware of the obligations of confidentiality arising out of this ~~Agreement~~Procedure; and
- (b) nothing in this ~~Appendix 2K.A~~Schedule 1 will cause the FXDMG Member to breach any duty or obligation (whether arising pursuant to contract or otherwise) which he owes to the Nominating FXCCM or to his employer, if different, or any other contract counterparty of the FXDMG Member.

## 12. **Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

~~42.4~~ The Clearing House will treat all Confidential Material in the terms envisaged in ~~this Appendix 2K.A~~Schedule 1 (Confidentiality, non-disclosure and participation in the ForexClear Default Management Group), confining use to the ForexClear Default Management Process, restricting its availability on a ~~"~~strictly need to know basis~~"~~, and exercising every duty of care required of it as a Recognised Clearing House and as a Derivatives Clearing Organization.

SECTION 2J

CONTENTS



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2J

NLX CLEARING SERVICE

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CONTENTS

<u>Section</u>	<u>Page</u>
2J.— THE NLX CLEARING SERVICE .....	1
2J.1— INTRODUCTION .....	1
2J.2— MEMBERSHIP .....	1
2J.3— THE CLEARING PROCESS .....	3
2J.4— COMMON DELIVERY PROCEDURES .....	10
2J.5— LONG GILT .....	12
2J.6— GERMAN GOVERNMENT BOND (EURO BUND) .....	17
2J.7— GERMAN GOVERNMENT BOND (BOBL) .....	23
2J.8— GERMAN GOVERNMENT BOND (SCHATZ) .....	29
APPENDIX 2J.A .....	35
Account Sale .....	35
APPENDIX 2J.B .....	36
Invoice (GILTS) .....	36
APPENDIX 2J.C .....	37
Delivery Instructions for Sellers (GILTS) .....	37
APPENDIX 2J.D .....	38
Delivery Instructions for Buyers (GILTS) .....	38
APPENDIX 2J.E .....	39
Account Sale (EURO BUND) .....	39
APPENDIX 2J.F .....	40
Invoice (EURO BUND) .....	40
APPENDIX 2J.G .....	41
Delivery Instructions for Sellers (EURO BUND) .....	41
APPENDIX 2J.H .....	42
Delivery Instructions for Buyers (EURO BUND) .....	42
APPENDIX 2J.I .....	43
Account Sale (BOBL) .....	43
APPENDIX 2J.J .....	44
Invoice (BOBL) .....	44
APPENDIX 2J.K .....	45
Delivery Instructions for Sellers (BOBL) .....	45
APPENDIX 2J.L .....	46
Delivery Instructions for Buyers (BOBL) .....	46
APPENDIX 2J.M .....	47

Account Sale (SCHATZ) .....	47
APPENDIX 2J.N .....	48
Invoice (SCHATZ) .....	48
APPENDIX 2J.O .....	49
Delivery Instructions for Sellers (SCHATZ) .....	49
APPENDIX 2J.P .....	50
Delivery Instructions for Buyers (SCHATZ) .....	50
<u>1. The NLX Clearing Service .....</u>	<u>1</u>
<u>1.1 Introduction .....</u>	<u>1</u>
<u>1.2 Membership .....</u>	<u>1</u>
<u>1.3 Eligible Transactions .....</u>	<u>2</u>
<u>1.4 The Clearing Process .....</u>	<u>2</u>
<u>1.5 Common Delivery Procedures .....</u>	<u>10</u>
<u>1.6 Long Gilt .....</u>	<u>11</u>
<u>1.7 German Government Bond (Euro Bund) .....</u>	<u>17</u>
<u>1.8 German Government Bond (BOBL) .....</u>	<u>23</u>
<u>1.9 German Government Bond (Schatz) .....</u>	<u>29</u>
<u>1.10 NLX Client Clearing .....</u>	<u>35</u>
<u>1.11 Indirect Clearing .....</u>	<u>36</u>
<u>Schedule 1 Account Sale .....</u>	<u>38</u>
<u>Schedule 2 Invoice (Gilts) .....</u>	<u>39</u>
<u>Schedule 3 NLX Long Gilt Future Delivery Instruction for Sellers (Gilts) .....</u>	<u>40</u>
<u>Schedule 4 NLX Long Gilt Future Delivery Instruction for Buyers (Gilts) .....</u>	<u>41</u>
<u>Schedule 5 Account Sale (Euro Bund) .....</u>	<u>42</u>
<u>Schedule 6 Invoice (Euro Bund) .....</u>	<u>43</u>
<u>Schedule 7 NLX German Govt. Bond (Euro Bund) Future Delivery Instruction for Sellers (Euro Bund) .....</u>	<u>44</u>
<u>Schedule 8 NLX German Govt. Bond (Euro Bund) Future Delivery Instruction for Buyers (Euro Bund) .....</u>	<u>45</u>
<u>Schedule 9 Account Sale (BOBL) .....</u>	<u>46</u>
<u>Schedule 10 Invoice .....</u>	<u>47</u>
<u>Schedule 11 NLX BOBL Future Delivery Instruction for Sellers .....</u>	<u>48</u>
<u>Schedule 12 NLX BOBL Future Delivery Instruction for Buyers (BOBL) .....</u>	<u>49</u>
<u>Schedule 13 Account Sale (Schatz) .....</u>	<u>50</u>
<u>Schedule 14 Invoice (Schatz) .....</u>	<u>51</u>
<u>Schedule 15 NLX Schatz Future Delivery Instruction for Sellers (Schatz) .....</u>	<u>52</u>
<u>Schedule 16 NLX Schatz Future Delivery Instruction for Buyers .....</u>	<u>53</u>

THE

## ~~2J.1. THE NLX CLEARING SERVICE~~ CLEARING SERVICE

### INTRODUCTION

#### 1.1 Introduction

##### ~~2J.1.1~~ 1.1.1 *Background*

These NLX Service procedures apply to the clearing of NLX Eligible Derivative Products listed on NLX Exchange.

NLX Service Clearing Members must inform themselves fully of their obligations under the Clearing House Rulebook (the “Rulebook”) and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. NLX Service Clearing Members should also familiarise themselves with NLX's Rules and Contract Terms.

Please note that both the Rulebook (including these Procedures) and NLX's Rules and Contract Terms are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the NLX Service should be directed to the Clearing House Operations and Client Servicing (OCS) Department on +44 (0)20 7426 7688, or [Derivative.Ops.Uk@lchclearnet.com](mailto:Derivative.Ops.Uk@lchclearnet.com). Enquiries regarding Clearing Member status should be directed to the Membership Department on +44 (0)20 7426 7949 or [membership@lchclearnet.com](mailto:membership@lchclearnet.com).

Enquiries relating to NLX's Rules and Contract Terms should be directed to NLX.

Full contact details may be found on the Clearing House website (<http://www.lchclearnet.com>) or ~~NLX's website~~ <http://www.nasdaqomx.com/trading/nlx/>. ~~NLX's website~~ <http://www.nasdaqomx.com/trading/nlx/>.

##### ~~2J.1.2~~ 1.1.2 *Interpretation*

Capitalised terms used in these Procedures have the meaning set out in the NLX Rules and Contract Terms unless otherwise specified.

“The Clearing House” refers to LCH.Clearnet Limited.

“NLX” refers to NASDAQ OMX NLX.

**Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.**

### MEMBERSHIP



## 1.2 Membership

NLX Service Clearing Members may submit NLX Transactions for registration by the Clearing House. ~~NLX Transactions may also be submitted for registration on behalf of a NLX Service Clearing Member by a NLX Non-Clearing Member (NCM).~~

A NLX Service Clearing Member must comply with all Clearing House requirements and with any NLX requirements relating to participation in the relevant NLX Trading System.

It is the responsibility of each NLX Service Clearing Member to keep any report, including, but not limited to, the NLX Service Clearing Member Statement Report, required for its own historic, audit or legal purposes.

Details of how to be approved as a NLX Service Clearing Member can be obtained from the Clearing House Membership Department on +44 (0)20 7426 7949 or [membership@lchclearnet.com](mailto:membership@lchclearnet.com).

## THE CLEARING PROCESS

### 1.3 NLX's Eligible Transactions

Trades (including EFPs/EFSs, Position Transfers, Give Ups, Contrats and Block trades) executed or registered through the NLX Trading System between Clearing Members which satisfy all LCH.Clearnet Ltd requirements will be designated as NLX Transactions eligible for registration by the LCH.Clearnet Ltd.

### 1.4 The Clearing Process

NLX's trading system is responsible for all trade functions ("Trading System"). Trading System will forward to the Clearing House agreed trades for clearing via the Clearing System.

#### 2J.3.1 1.4.1 Trading System Functions

The following functions are performed within the Trading System:

- trade matching; and
- presentation of trades to the Clearing House for registration.

#### 2J.3.2 1.4.2 Clearing System Functions

The following functions are performed within the Clearing System:

- designation of trades to a position-keeping account, including give ups and take ups;
- auto-validation consisting of syntactic/static data and trade limit checks, trade acceptance, rejection and cancellation
- settlement;
- position maintenance, including position transfer and close out;
- margin obligation calculation;
- option exercise assignment processing; and
- reporting.

All delivery enquiries or issues regarding a Clearing Member's ability to meet its contractual obligations should be directed to ~~the Clearing House Operations and Client Servicing Department~~ on +44 7426 7688 or [Derivative.Ops.Uk@lchclearnet.com](mailto:Derivative.Ops.Uk@lchclearnet.com).

Clearing Members should refer to the ~~"Synapse Derivatives Member User Guide"~~ for operating instructions, full details of enquiries and report facilities and the Synapse Licence Agreement and Terms of Use.

### **2J.3.3**1.4.3 *The Clearing House System Requirements*

Clearing Members must have; in their office, at a minimum, a PC configured to access the Clearing System GUI, a printer and a dedicated back-up BT Radianz line connected to the Clearing System.

### **2J.3.4**1.4.4 *Times*

Unless stated otherwise all times are London time.

### **2J.3.5**1.4.5 *Registration*

#### **2J.3.5.1**(a) *Confirmation*

Trade data is presented for registration to the Clearing House. Such presentation constitutes confirmation in accordance with the Regulations by the Clearing Member in whose name the contracts are presented. Trades that exceed pre-set trade limits are held within the Clearing System, pending confirmation of acceptance by the Clearing House.

#### **2J.3.5.2**(b) *Risk Pending Trades*

Trades presented to the Clearing House for registration can be validated against a number of Risk Parameters. Quantity, Price, Premium, Strike Price, Trade Value or Mark to Market Profit/Loss parameters can be specified for use for trade validation.

Any trades that fall outside of the validation parameters will enter a pending state and require validation by Risk Management before being accepted or rejected by the Clearing House.

The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day's trading range.

#### **2J.3.5.2.1**(c) *Conditions for Acceptance of Risk Pending Trades*

Registration of trades held in the Risk Pending Queue is conditional on the ~~provision~~transfer of sufficient Collateral ~~to the Clearing House~~. The Clearing House will first consider any surplus Collateral held, any surplus Collateral in respect of credit variation margin, and any net credit Collateral in respect of variation margin for ~~the account in which the trade is to be registered in respect of~~ new business, before requesting additional Collateral from a Clearing Member. Margin in this case is net debit variation margin in respect of the pending trades, calculated automatically by the system with reference to the previous day's closing price or premium.

If the Clearing House decides that additional Collateral is required it will advise the Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will

be agreed between the Clearing House and the Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Clearing Member to ensure that any trades likely to require acceptance are input as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House (to meet debit variation margin obligations arising from pending trades) or arrangements are in place to meet additional calls for Collateral. Trades not accepted by the Clearing House will not be registered. In order to achieve registration the trade must be re-submitted (in accordance with NLX Rules) the next business day, when the same process will apply.

#### **2J.3.6** 1.4.6 Novation

Novation replaces each exchange contract executed between Clearing Members with two separate contracts, one between the Clearing Member-seller and the Clearing House and the other between the Clearing Member-buyer and the Clearing House. Novation is described in ~~General~~ Regulation 3.12 (Novation).

#### **2J.3.7** 1.4.7 Notification

All registered contracts are listed on the Clearing Member Statement available via the Member Reporting website.

#### **2J.3.8** 1.4.8 Position Proprietary Accounts and Client Accounts

##### 1.4.1 Proprietary Accounts

##### An NLX Service Clearing Member ~~Accounts~~

~~For identification purposes each Clearing Member is assigned a unique three character mnemonic. A may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Member's position and finance information are further identified by account codes (see below):~~ Business.

~~Position-Keeping~~ Each Proprietary Account will map to two sub-accounts

(i) a position account; and

(ii) a collateral account.

1.4.2 Client Accounts

2J.3.8.2.4(i) Types of Client Account

Subject to Regulation 11 (Client Clearing Business) of the General Regulations and Section 1.10 (NLX Client Clearing) below, a NLX Service Clearing Member ~~and~~ may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(A) Individual Segregated Accounts;

(B) ~~Non-Clearing Member's positions~~ Identified Client Omnibus Net Segregated Account;

(C) Identified Client Omnibus Net Segregated Accounts; and/or

(D) Affiliated Client Omnibus Net Segregated Accounts.

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

(A) one or more position accounts; and

(B) a collateral account.

1.4.9 Relationship between Position Accounts and Collateral Accounts

Clearing Member position accounts have collateral accounts associated with them. These are ~~recorded~~, *inter alia*, used to record cash balances, securities/documentary credits and non-realised margin obligations. Information contained within ~~the Clearing System in a~~ position-keeping accounts which are not Clearing Member accounts as described in Regulation 5. The account types are House "H", Non Segregated "N", Market Maker "M", Initial Allocation "A" or Client "C", "N" or "G", with position-keeping accounts being uniquely identified account is consolidated with the associated collateral account, as follows:

<b>A/e Type</b>	<b>A/e Id</b>	<b>Financial A/e</b>	<b>A/e Reference</b>			<b>Examples</b>
House	H	<u>H</u>	<u>Account Type</u>	<u>&lt;Position Collateral Account Owner mnemonic &gt;+ 'H'</u>	XXXX	
Non Segregated	N	H or C (as requested by Clearing Member)	<u>HOUSE</u>	<u>&lt;Position Account Owner mnemonic &gt;+ 'N' H</u>	XXXN	
Market Maker	M	<u>M</u>	<u>MARKET MAKER (H)</u>	<u>&lt;Position Account Owner mnemonic &gt;+ 'M' H</u>	XXXM	

House	H	<u>H</u> Account Type	<Position Collateral Account Owner mnemonic >+ 'H'	XXXH
Initial Allocation	A	<u>H</u> INITIAL ALLOCATION	<Position Account Owner mnemonic >+ 'A' <u>H</u>	XXXA
Client*	C	<u>C</u> MARKET MAKER (C)	<Position Account Owner mnemonic >+ 'C' <u>C</u>	XXXC
Client	N	O+3 alpha/numeric <u>CLI</u> ENT	<Position Account Owner mnemonic >+ 'N' + <max 6 characters> <u>C</u>	XXXN987654
Client	G	O+3 alpha/numeric	<Position Account Owner mnemonic >+ 'G' + <max 6 characters>	XXXG987654

### Financial Accounts

### Relationship with Position-keeping accounts

~~Clearing Member accounts have financial accounts associated with them. These are, inter alia, used to record cash balances, securities/documentary credits and non-realised margin. Information contained within Position-keeping accounts is consolidated into the House "H" financial account for House, Market Maker and Initial Allocation account types, either "H" or "C" financial accounts, at the Clearing Members request, for Non Segregated account type, "C" financial account for the Client account type (A/c Id 'C') and O+3 alpha/numeric for Client account type (A/c Id 'N' and 'G'). There shall be no offset of collateral between financial accounts, save as permitted by Default Rule 8(d) (where the Clearing House may apply any balance on the Proprietary Account(s) to meet any shortfall on the client account(s)).~~

Only the H account is obligatory. The C account will be used in respect of any NLX Service Clearing Member which engages in NLX Client Clearing Business.

By accepting a trade into a position-keeping account a Clearing Member is also deemed to be designating that trade for the associated **financial collateral** account.

Each client "C" position-keeping account and the client "C" collateral account of a NLX Service Clearing Member may hold any number of segregated sub-accounts. Each Individual Segregated Account of the NLX Service Clearing Member 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.

**2J.3.9.2**1.4.10 ~~Other Financial~~ Accounts

In some cases at the Clearing House's discretion, further ~~financial~~ accounts, ~~used only to record financial balances,~~ may be opened as follows:

<b>Code</b>	<u>Code</u>
Additional Margin accounts, used for holding <del>additional deposits for</del> House <del>business</del> <u>Excess</u>	B
Additional Margin accounts, used for holding <del>additional deposits for</del> <del>Segregated</del> Client <del>business</del> <u>Excess</u>	E

**2J.3.9.3**1.4.11 Default Fund (DF) Account

Each Clearing Member's Default Fund Contribution is held on a separate ~~financial~~ account. The Default Fund account code is ~~'F'~~ 'E'.

**2J.3.10**1.4.12 *Initial Margin*

Separate initial margin calculations are performed for a Clearing ~~Member's~~ ~~House 'H', Client 'C'~~ Member's Proprietary Account and for each Client ~~'O'~~ ~~financial account~~ Account. No offset between ~~these accounts~~ the Proprietary Accounts and the Client Accounts is allowed; ~~and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts.~~

Margin requirements in respect of each NLX accounts are ~~margin~~ calculated net, meaning that if long and short positions are held in the same delivery month for futures, or the same series for options, the initial margin ~~obligations~~ requirement is calculated ~~on the basis of~~ by reference to the net position.

**2J.3.10.1**(a) *Initial Margin Parameters*

Initial margin parameters are set by the Clearing House after consultation with NLX. However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a Clearing Member's accounts.

Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

**2J.3.10.2**(b) *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 considers necessary. Intra-day margin calls will

be made via the Protected Payments System (see Section [1.3.2](#) of ~~the Procedures~~ [Procedure 3 \(Financial Transactions\)](#)).

### **2J.3.10.3(c)** [Calculation of Initial Margin](#)

#### **2J.3.10.3.1(i)** [Value At Risk \(VaR\)](#)

Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to [calculate margin requirements on](#) NLX contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

### **2J.3.11** [1.4.13](#) [Variation Margin](#)

All open contracts are marked to market daily by the Clearing House [in accordance with NLX Rules and Contract Terms](#). The official quotation is used as the market price. Profits or losses are either credited to or debited from ~~a Clearing Members' financial accounts~~ [Members' Proprietary Account or Client Account \(as applicable\)](#) (realised margin) or they form non-realised contingent liabilities or credits.

Separate variation margin calculations are performed for a Clearing ~~Member's House 'H', Client 'C'~~ [Member's Proprietary Account](#) and ~~for each Client 'O' financial account~~ [Account](#). No offset between ~~accounts~~ [the Proprietary Accounts and the Client Account](#) is allowed ~~and, except pursuant to a Cross-ISA Client Excess Deduction, no offset is allowed between any Client Accounts~~.

### **2J.3.11.1** [1.4.14](#) [Realised Margin](#)

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in the Clearing System - i.e. the trade price for new trades and the previous day's official quotation for other positions. Variation margin for the following types of contract is realised into postings to ~~Clearing Members' financial accounts~~ [the relevant Proprietary Account or Client Account \(as applicable\)](#).

### **2J.3.11.2** [1.4.15](#) [Contingent Variation Margin](#)

Contingent variation margin is calculated with reference to the official quotation at which a contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the Contract or these Procedures. Contingent variation margin is calculated for NLX contracts which are subject to delivery of an underlying asset.



### **2J.3.11.3**1.4.16 *Option Variation Margin*

Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

### **2J.3.12**1.4.17 *Additional Margin*

In accordance with Regulation ~~12,20~~ *(Margin and Collateral)*, the Clearing House may call additional amounts of Collateral (on top of ~~existing~~the amounts of Collateral previously transferred to the Clearing House in respect of ~~the Clearing Member's~~ initial margin and variation margin obligations) as security for the performance by a Clearing Member of its obligations to the Clearing House in respect of contracts registered in his name as open contracts. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in positions held by the Clearing Member is not adequately covered by the Collateral in respect of the initial or variation margin ~~obligations~~. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral ~~as security~~ against the positions generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

### **2J.3.13**1.4.18 *Settlement*

#### **2J.3.13.1**(a) *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day's official quotation or such other quotation as is specified in the NLX's Rules and Contract Terms. This is debited from or credited to ~~Clearing Members' financial accounts~~the relevant Proprietary Account or Client Account.

#### **2J.3.13.2**(b) *Delivery*

Deliverable contracts, as specified by NLX Rules and Contract Terms, remaining open at expiry, or as notified via early delivery notice, are settled by physical delivery of the underlying at the Final Settlement Price (FSP), as determined by the relevant Contract Terms.

### **2J.3.14**1.4.19 *Official Quotations*

Official quotations are based on ~~“Daily Settlement Prices (DSP)”~~“DSP” and are supplied by NLX at the close of business each day. Should NLX fail to determine ~~“DSP”~~“DSP”, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

### **2J.3.15**1.4.20 *Option Exercise and Expiry*

Each contract is exercised through the Clearing System. Exercise Rules are specified by the NLX Rules and Contract Terms which determine the times that exercise notifications must be given.

Options are exercised manually except on the last trading day when a combination of auto exercise and manual exercise is used and open futures contracts are created.

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position. The method of allocation used for options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the proceeding lot or of the subsequent lot in the selection process.

Exercised Index Option contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Final Settlement Price (FSP).

Clearing Members should refer to the [Synapse Derivatives Member User Guide](#) for operating instructions and full details.

#### **2J.3.15.1(a)** *Options Exercise Instructions*

##### **2J.3.15.1.1(i)** *Manual Exercise*

Exercise instructions are submitted via the Options Exercise screen on the Clearing System, between times as specified by NLX Rules and Contract Terms on any business day from the business day following the day of trade until the expiry day.

Exercise instructions can be cancelled via the Options Exercise screen up until the exercise deadline on the day the exercise instruction is input to the Clearing System.

Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;
- the number of lots exceed the lot limit, if the lot limit parameter is set by the Clearing Member in the BP Exercise Limit screen; and
- early exercise i.e. non-spot month, if this parameter is set by the Clearing Member in the BP Exercise Limit screens.

An option exercise maker-checker facility ensures exercise instructions are authorised by another authorised person before being submitted. Clearing Members should ensure that they allow sufficient time for submitting instructions within contract deadlines, if this facility is switched on.

**2J.3.15.1.2(ii)** *Automatic Exercise on Expiry Day*

Preset limits within the Clearing System define which options will be subject to automatic exercise at expiry.

Buyers of options may, in accordance with the NLX's Rules and Contract Terms, choose not to exercise option series that would be subject to automatic exercise. Clearing Members that wish not to exercise such options must have done so by the exercise deadline of the expiring options. Failure to do so will result in the automatic exercise of the series.

**2J.3.15.2(b)** *Expiry Day*

Options expire at the time specified by NLX Rules and Contract Terms on the expiry date. Clearing Members who wish to exercise positions for strike prices which are not subject to automatic exercise for the expiring series, must do so by this time.

**It is not possible for Clearing Members to input exercise or exercise cancellation instructions after the expiry time.**

**2J.3.15.3(c)** *Unavailability of System for Options Exercise*

In the event that the Clearing System option exercise facilities are unavailable (in particular if an expiry or exercise deadline is imminent), it is essential that the Clearing Member contacts LCH.Clearnet Operations and Client Servicing Department on +44 (0)207 426 7688.

## COMMON DELIVERY PROCEDURES

~~These procedures should be read in conjunction with the rest of the Clearing House Rulebook the Exchange Rules and Contract Terms.~~

~~Clearing Members must be fully aware of their obligations under the relevant contracts.~~

~~In the event of any conflict between the Clearing House Rulebook and the Exchange Rules and Contract Terms, the Clearing House Rulebook shall prevail.~~

### 1.5 Common Delivery Procedures

These procedures should be read in conjunction with the rest of the Clearing House Rulebook the Exchange Rules and Contract Terms.

Clearing Members must be fully aware of their obligations under the relevant contracts.

In the event of any conflict between the Clearing House Rulebook and the Exchange Rules and Contract Terms, the Clearing House Rulebook shall prevail.

Enquiries concerning the procedures in this ~~s~~Section should be directed to Operations and Client Servicing (OCS) staff at the Clearing House ~~on +44 (0)20 7426 7688~~

#### ~~2J.4.1~~1.5.1 Allocation Method

For all deliverable bond contracts the following method is used by the Clearing House to allocate stock delivered by Sellers to Buyers:

- (a) Buying Clearing Members' accounts are listed in mnemonic sequence and numbered sequentially;
- (b) a number is chosen at random;
- (c) the allocation of the lowest coupon bond commences with the selected mnemonic and progresses through the list referred to in (a) above; and
- (d) when no further allocation of the lowest coupon bond can be made, the allocation continues with the next lowest coupon bond and so on, until the process is completed with the allocation of the highest coupon bond.

If bonds of equal coupon but with different maturity dates have been nominated then the bond with the earliest maturity will be allocated first.

For the purpose of settlement efficiency the results of the allocation will be subject to settlement shaping with each instruction not exceeding a nominal value of GBP ~~50mn~~50 million for Gilts or EUR ~~50mn~~50 million for Bund, Bobl and Schatz.

#### **2J.4.2**1.5.2 *Clearing Accounts*

Clearing Members' position keeping accounts, following any applicable netting, are ~~treated separately~~aggregated to settlement account level for deliveries. Clearing Members must submit separate notifications (Seller's Delivery Notices, etc) to the Clearing House for each settlement account.

#### **2J.4.3**1.5.3 *Final Settlement Prices (FSP)*

NLX sets an FSP for bond deliveries as determined in the relevant Exchange Contract Terms. This is published as soon as possible after it has been set.

#### **2J.4.4**1.5.4 *Days and Times*

All days are London business days unless otherwise stated.

All times are London times unless otherwise stated.

#### **2J.4.5**1.5.5 *Margin*

The Clearing House continues to ~~collect~~require Collateral in respect of initial and contingent variation margin ~~obligations~~requirements on open delivery contracts.

#### **2J.4.6**1.5.6 *The Delivery System*

~~'The Delivery System'~~ is the Clearing House Delivery System for NLX deliverable contracts, which allows users to send and receive data to and from the Clearing House.

Clearing Members must submit delivery information using the Delivery System GUI.

When using the Delivery System GUI Clearing Members must always ensure that they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action by NLX. Clearing Members experiencing connection difficulties should contact Operations and Client Servicing (OCS) staff at the Clearing House immediately.

#### **2J.4.6.1**1.5.7 *Seller's Delivery Notice*

Sellers must submit a *Delivery Notice* to the Clearing House via the Delivery System.

## LONG GILT

### 1.6 Long Gilt

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Gilts, against payment of the consideration amount specified in NLX's Gilt ~~Contract Terms~~ contract terms; and
- Euroclear UK and Ireland - The Euroclear UK and Ireland System.

#### ~~2J.5.1~~ 1.6.1 *Delivery Mechanism*

Deliveries under the Gilt contract must be made or taken via an account at Euroclear UK and Ireland (EUI).

#### ~~2J.5.1.1~~ (a) *Clearing House Delivery Account Details*

Details of the Clearing House's account at Euroclear UK and Ireland (EUI) are as follows:

Clearing House account number 5172

#### ~~2J.5.2~~ 1.6.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action by NLX. -Clearing Members experiencing difficulties should contact Operations and Client Servicing (OCS) staff at the Clearing House immediately.

#### ~~2J.5.3~~ 1.6.3 *Consideration Value Calculation*

The amount due to Sellers and payable by Buyers is calculated in accordance with the Gilt ~~Contract Terms~~ contract terms (all values in GBP):

Consideration value per lot = (1000 x FSP x Price Factor) + Initial Accrued + (Daily Accrued x Delivery Days in Month)

#### *Consideration Calculation Example*

FSP(N)	=	107.41
Price Factor	=	1.2554334
Initial Accrued	=	1746.58
Daily Accrued	=	17.1233

Delivery Days in Month	=	10
Single lot value	=	(1000 x 107.41 x 1.2554334) + <u>1746.58 + (17.1233 x 10)</u>
		<b>1746.58 + (17.1233x10)</b>
	=	136,763.914494
Consideration value per lot	=	136,763.91

The Clearing House establishes the consideration amount by calculating the full value of **1 lot** using the formula (i.e. up to 7 decimal places on the price factor and 5 on the FSP) and rounding to the nearest whole penny (.5 rounded down). This **per** lot value is then multiplied by the number of lots to establish the total consideration value.

**2J.5.4.1.6.4** Delivery Timetable (except for Last Notice Day)

DAY	TIME LONG GILT	ACTION	
		SELLERS	BUYERS
<u>Notice Day</u>	<u>By 11:00</u>	<u>Sellers submit Seller's Delivery Notices in Synapse and the Delivery System</u>	
<del>Notice Day</del>	<del>By 11:00</del>	<del>Sellers submit Seller's Delivery Notices in Synapse and the Delivery System</del>	Synapse position keeping deadline
	By 11:30	NLX announce the FSP	NLX announce the FSP
	By 12:00		Allocation of lots to Buyers
		Delivery Positions for Futures Report available	Delivery Positions for Futures Report available
	By 15:00		Deliverable gilts allocated to Buyers
Notice Day + 1	By 05:00	The Clearing House makes Account Sales and Delivery Instructions report available	The Clearing House makes Invoices and Delivery Instructions report available
	From 09:00	Seller to commence matching	Buyer to commence

DAY	TIME LONG GILT	ACTION	
		SELLERS	BUYERS
	By 12:30	All deliveries must be matched in Euroclear UK & Ireland	matching All deliveries must be matched in Euroclear UK & Ireland
Settlement Day (Notice day + 2)	By 13:00	Gilts delivered against payment	Gilts received against payment
S + 1		The Clearing House releases Collateral in respect of initial and variation margin <b>obligations</b>	The Clearing House releases Collateral in respect of initial and variation margin <b>obligations</b>



**2J.5.5** 1.6.5 *Delivery Timetable (Last Notice Day)*

DAY	TIME <u>LONG GILT</u>	ACTION	
		SELLERS	BUYERS
Last Notice Day (the business day following the last trading day)	By 10:00	Sellers submit <del>Seller's</del> Delivery Notices to The Delivery System  <del>Synapse position keeping deadline</del>  <u>Synapse position keeping deadline</u>	<del>Synapse position keeping deadline</del>  <u>Synapse position keeping deadline</u>
	By 11:00		Allocation of lots and gilts to Buyers
	By 15:00    By 17:30	The Clearing House makes Account Sales and <del>Delivery</del> Instructions report available  Seller to commence matching  All deliveries must be matched in Euroclear UK & Ireland	The Clearing House makes Invoices and Delivery Instructions report available  Buyer to commence matching  All deliveries must be matched in Euroclear UK & Ireland
Settlement Day (Last Notice Day + 1)	By 13:00	Gilts delivered against payment	Gilts received against payment
S + 1		The Clearing House releases Collateral in respect of initial and variation margin <del>obligations</del>	The Clearing House releases Collateral in respect of initial and variation margin <del>obligations</del>

**2J.5.6** 1.6.6 *Long Gilt Delivery Procedures*

**2J.5.6.1** (a) *Last Trading, Notice and Settlement Day Definitions*

The First and Last Notice Day, and Settlement Day, are defined in NLX's Contract Terms for the Long Gilt contract.

**2J.5.6.2** (b) *Notice Day* - (except for Last Notice Day see **2J.5.6.5**) Section 1.6.6(e)

*By 11:00 hours - Long Gilt*

Deliverable positions are based on Clearing Members' positions at the close of business the previous day. - The positions may be transferred or settled to establish the deliverable position.

On each business day during the notice period, a Seller may input an 'Early Delivery Notification' to Synapse and must then, in addition, submit to the Clearing House the corresponding *Seller's Delivery Notice*. The input of a delivery notification to Synapse without the corresponding *Seller's Delivery Notice* (or vice versa) will not constitute a valid notification to the Clearing House. Any notices submitted after this deadline will be rejected and Sellers must submit on the following business day if they still wish to deliver early (if the next business day is the Last Notice Day, then the Last Notice Day procedures apply).

*By 11:30 hours (approx)*

The Final Settlement Price (FSP) is announced by the exchange.

*By 12:00 hours (approx) - Long Gilt*

A Delivery Positions for Futures report indicating the number of lots allocated to Buyers is made available on Synapse.

*By 15:00 hours*

The Clearing House allocates Gilts to Buyers.

**2J.5.6.3(c)** Business Day following Notice Day

*By 05:00 hours*

- *Delivery Instructions for Sellers* ([appendix 2J.C Schedule 3](#))
- *Delivery Instructions for Buyers* ([appendix 2J.D Schedule 4](#)).

The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The times stipulated below are the latest possible times for pre-matching.

*From 09:00 hours*

Details of the delivery contracts must be submitted and matched in Euroclear UK & Ireland.

All entries **must** be made with the necessary fields completed in order to match with the Clearing House instruction.

*By 12:30 hours*

Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs NLX Market Operations of any outstanding matching problems after this time.

**2J.5.6.4(d)** *Last Trading Day (LTD)*

*At 11:00 hours*

Trading ceases two business days prior to the last business day in the delivery month.

**2J.5.6.5(e)** *Last Notice Day*

The Last Notice Day is the business day following the Last Trading Day.

*By 10:00 hours - Long Gilt*

Sellers holding open positions **must** submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System. Clearing Members are not required to give notification via Synapse. Clearing Members with open positions in the expired delivery month are obliged to make or take delivery.

*By 15:00 hours - Long Gilt*

The Clearing House makes the following available:

- *Account Sales* (~~appendix 2J.A~~[Schedule 1](#))
- *Invoices* (~~appendix 2J.B~~[Schedule 2](#))
- *Delivery Instructions for Sellers* (~~appendix 2J.C~~[Schedule 3](#))
- *Delivery Instructions for Buyers* (~~appendix 2J.D~~[Schedule 4](#)).

Clearing Members commence matching with the Clearing House.

*By 17:30 hours*

Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs the NLX Market Operations of any outstanding matching problems after this time.

## **2J.5.6.6(f) Settlement Day**

Settlement day means the second business day after the notice day or, where the notice day is the Last Notice Day, settlement day will be the next business day after the Last Notice Day.

The Seller must ensure that their Euroclear UK & Ireland priority settings and cap permit their trades to settle before the Clearing House settlement deadline.

*By 13:00 hours*

Gilts will have passed from the Seller's Euroclear UK & Ireland account to the Clearing House's Euroclear UK & Ireland account (5172) and subsequently to the Buyer's Euroclear UK & Ireland account on Settlement Day.

The Buyers and the Clearing House's settlement bank will effect payment by the end of the day across Real Time Gross Settlement (RTGS) accounts at the Bank of England.

## **~~GERMAN GOVERNMENT BOND (EURO BUND)~~**

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

### **1.7 German Government Bond (Euro Bund)**

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bunds, against payment of the consideration amount specified in NLX's German Government Euro Bund Contract Terms;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxemburg SA or Clearstream Frankfurt.

#### **2J.6.1.1.7.1 Delivery Mechanism**

Deliveries under the Euro Bund contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxemburg.

~~2J.6.1.1(a)~~ 2J.6.1.1(a) *Clearing House Delivery Account Details*

The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number: ~~\_\_\_\_\_~~ : ~~\_\_\_\_\_~~ 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

~~Euroclear \_\_\_\_\_ : \_\_\_\_\_ Clearing House account number 10167~~

~~Clearstream Luxembourg \_\_\_\_\_ : \_\_\_\_\_ Clearing House account number 18764.~~

Euroclear : Clearing House account number 10167

Clearstream Luxembourg : Clearing House account number 18764

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each Euro Bund delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

~~2J.6.2~~ 1.7.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. - When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action by NLX. - Clearing Members experiencing difficulties should contact Operations and Client Servicing (OCS) staff at the Clearing House immediately.

~~2J.6.3~~ 1.7.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Euro Bund ~~Contract Terms~~ contract terms.

Consideration value (1000 x FSP x Price Factor) +  
per lot Accrued Interest

~~\_\_\_\_\_~~ ~~\_\_\_\_\_~~ ~~\_\_\_\_\_~~ Interest

*Consideration  
Calculation Example*

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22

$$(1000 \times 113.41 \times 0.950491) + 2258.22$$

EUR  
110,053.40431

Consideration Value	EUR
	110,053.40

The consideration value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	<del>12:00</del>	<del>13:00</del>	<del>FSP established</del>	<del>FSP established</del>
	<u>12:00</u>	<u>13:00</u>	<u>FSP established</u>	<u>FSP established</u>
	17:00	18:00	Synapse Position Keeping -deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes Account Sales and Delivery Instruction Report available.	The Clearing House makes Invoices and Delivery Instruction Report available.
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin obligations	The Clearing House releases Collateral in respect of initial and variation margin obligations

*Clearing House Procedures—NLX Service Procedures*

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES



**2J-6.5**1.7.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

**2J-6.6**1.7.6 *Delivery Procedures***2J-6.6-1**(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the NLX Contract Terms. This list is published by NLX and is available in the Delivery System as and when distributed by NLX. The initial list of bonds will be available from the Delivery System until such time as NLX publish the final list.

**2J-6.6-2**(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in NLX's Contract Terms for the ~~Euro Bund contract~~. [Bobl Futures Contract](#). The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

**2J-6.6-3**(c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates Bunds to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:-

- Account Sales (~~appendix 2J.E~~)([Schedule 5](#))
- ~~Invoices (appendix 2J.F)~~
  - ~~Invoices (Schedule 6)~~
  - Delivery Instructions for Sellers (~~appendix 2J.G~~)([Schedule 7](#))
  - Delivery Instructions for Buyers (~~appendix 2J.H~~)([Schedule 8](#)).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*.– The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time.– The time stipulated below is the latest possible time for matching.

**2J.6.6.4(d)** S-1 on or before the first Frankfurt working day following the last trading day (LTD)

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

**2J.6.6.5(e)** S Settlement Day (LTD + 2)

*By 08:00 hours Central European time*

The Seller<sup>2</sup>'s delivery system or agent shall have transferred Bunds to the Clearing House<sup>2</sup>'s account at the relevant delivery system, against payment.– The Clearing House shall have transferred Bunds to the Buyer<sup>2</sup>'s account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bunds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxemburg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

**During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bunds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the standard cycle) will be passed to the defaulting Selling Clearing Member.

**2J-6-6-6(f)** S + 1 *The first Frankfurt working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral ~~held~~ in respect of initial and contingent variation margin ~~obligations~~ for successfully completed deliveries.

~~2J.7.1.8~~ ~~GERMAN GOVERNMENT BOND~~ German Government Bond (BOBL)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in NLX's Bobl Futures Contract Terms;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxemburg SA or Clearstream Frankfurt.

1.8.1 Delivery Mechanism

- Deliveries under the Bobl contract must be made or taken via accounts at one or more of the following delivery systems: Securities correspondent Euroclear, Clearstream Luxemburg SA or Clearstream Frankfurt.

~~2J.7.1.1.1~~ Delivery Mechanism

~~Deliveries under the Bobl contract must be made or taken via accounts at one or more of the following delivery systems:~~

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxemburg.

~~2J.7.1.1~~ (a) Clearing House Delivery Account Details

The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

~~Germany~~

~~Clearing House account number : 7077~~

Details of the Clearing House's accounts at Euroclear and Clearstream Luxemburg are as follows:

Euroclear : Clearing House account number 10167

Clearstream  
Luxemburg : Clearing House account number 18764

The Clearing House retains the right to amend the above list  
without prior notification to Clearing Members.

~~Euroclear: Clearing House account number 10167~~

~~Clearstream Luxembourg: Clearing House account number 18764~~

~~The Clearing House retains the right to amend the above list  
without prior notification to Clearing Members.~~

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

### ~~2J.7.2~~1.8.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. - When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action by NLX. - Clearing Members experiencing difficulties should contact Operations and Client Servicing (OCS) staff at the Clearing House immediately.

### ~~2J.7.3~~1.8.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Bobl Futures Contract Terms.

~~Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest~~

#### *Consideration Calculation Example*

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

#### Consideration Calculation Example

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22
		(1000 x 113.41 x 0.950491) + 2258.22
	=	EUR 110,053.4031
Consideration Value	=	EUR 110,053.40

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

**2J.7.4** 1.8.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes the Account Sales and Delivery Instructions Report available	The Clearing House makes the Invoices and Delivery Instructions Report available
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin <del>obligations</del>	The Clearing House releases Collateral in respect of initial and variation margin <del>obligations</del>

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES

**2J.7.5**1.8.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

**2J.7.6**1.8.6 *Delivery Procedures*

**2J.7.6.1**(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the NLX Contract Terms. This list is published by NLX and is available in the Delivery System as and when distributed by NLX. The initial list of bonds will be available from the Delivery System until such time as NLX publish the final list.

**2J.7.6.2**(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Days are as defined in NLX's Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

**2J.7.6.3**(c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*



The Clearing House makes the following available:

- Account Sales (~~appendix 2J.I~~)([Schedule 9](#))
- ~~Invoices (appendix 2J.J)~~
  - ~~Invoices (Schedule 10)~~
  - Delivery Instructions for Sellers (~~appendix 2J.K~~)([Schedule 11](#))
  - Delivery Instructions for Buyers (~~appendix 2J.L~~)([Schedule 12](#)).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*.– The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time.– The time stipulated below is the latest possible time for matching.

**2J.7.6.4(d)** S-1 on or before the first Frankfurt working day following the last trading day (LTD)

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

**2J.7.6.5(e)** S Settlement Day (LTD + 2)

*By 08:00 hours Central European time*

The Seller<sup>2</sup>'s delivery system or agent shall have transferred Bonds to the Clearing House<sup>2</sup>'s account at the relevant delivery system, against payment.– The Clearing House shall have transferred Bonds to the Buyer<sup>2</sup>'s account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxemburg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

#### **During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the Clearstream Frankfurt standard cycle) will be passed to the defaulting Selling Clearing Member.

**2J.7.6.6(f)** S + 1 *The first Frankfurt working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin ~~obligations~~ for successfully completed deliveries.

## ~~GERMAN GOVERNMENT BOND (SCHATZ)~~

### 1.9 German Government Bond (Schatz)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in NLX's Schatz Futures Contract Terms;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA or Clearstream Frankfurt.

#### ~~2J.8.1~~1.9.1 *Delivery Mechanism*

Deliveries under the Schatz contract must be made or taken via accounts at one or more of the following delivery systems:

- Clearstream Frankfurt;
- Euroclear; and
- Clearstream Luxembourg.

#### ~~2J.8.1.1~~(a) *Clearing House Delivery Account Details*

The Clearing House's delivery agents and account details at the Clearstream Frankfurt are as follows:

Deutsche Bank AG  
Securities & Custody Services  
PO Box 65755  
Eschborn  
Germany

Clearing House account number : 7077

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

~~Euroclear : Clearing House account number 10167~~

~~Clearstream Luxembourg : Clearing House account number 18764.~~

Euroclear : Clearing House account number 10167

[Clearstream Luxembourg](#) : [Clearing House account number 18764](#)

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

### **2J.8.2** 1.9.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action by NLX. Clearing Members experiencing difficulties should contact Operations and Client Servicing staff at the Clearing House immediately.

### **2J.8.3** 1.9.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers, are calculated in accordance with the Schatz Futures Contract ~~F~~ terms.

~~Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest~~

#### *Consideration Calculation Example*

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

#### Consideration Calculation Example

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22
		(1000 x 113.41 x 0.950491) + 2258.22
	=	EUR 110,053.40431
Consideration Value	=	EUR 110,053.40

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

**2J.8.4**1.9.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes the Account Sales and Delivery Instructions Report available	The Clearing House makes the Invoices and Delivery Instructions Report available
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin <del>obligations</del>	The Clearing House releases Collateral in respect of initial and variation margin <del>obligations</del>

\* CENTRAL EUROPEAN TIME INCLUDES FRANKFURT TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, ADMINISTRATIVE PROCEDURES AND CLEARING HOUSE DELIVERY PROCEDURES

**2J-8.5**1.9.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are made aware of Clearing House deadlines.

**2J-8.6**1.9.6 *Delivery Procedures***2J-8.6.1**(a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the NLX Contract Terms.- This list is published by NLX and is available in the Delivery System as and when distributed by NLX. The initial list of bonds will be available from the Delivery System until such time as NLX publish the final list.

**2J-8.6.2**(b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement daysDay are as defined in NLX's Contract Terms for the Schatz Futures Contract.- The Settlement Day is usually the tenth day of the delivery month, unless this is not a Frankfurt working day, in which case the Frankfurt working day immediately following it is the Settlement Day.

**2J-8.6.3**(c) *Last Trading Day (LTD)*

*At 11:30 hours*

Trading ceases in the delivery month.

*By 12:00 hours*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the ~~17:00~~13:30 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a Seller's Delivery Notice to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- Account Sales (~~appendix 2J.M~~)([Schedule 13](#))
- ~~Invoices (appendix 2J.N)~~
  - ~~Invoices (Schedule 14)~~
  - Delivery Instructions for Sellers (~~appendix 2J.O~~)([Schedule 15](#))
  - Delivery Instructions for Buyers (~~appendix 2J.P~~)([Schedule 16](#)).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. -The instructions as described **must** be utilised by Clearing Members, their delivery system and or agent in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. -The time stipulated below is the latest possible time for matching.

**2J.8.6.4(d)** S-1 on or before the first Frankfurt working day following the last trading day (LTD)

By 10:00 hours

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

By 14:00 hours

All instructions must be matched with the Clearing House.

Failure to match with the Clearing House contravenes Clearing House procedures [and NLX's Rules and Contract Terms for the Schatz Future Contract](#).

**2J.8.6.5(e)** S Settlement~~Delivery~~ Day (LTD + 2)

By 08:00 hours Central European time

The Seller<sup>2</sup>'s delivery system or agent shall have transferred Bonds to the Clearing House<sup>2</sup>'s account at the relevant delivery system against payment. The Clearing House shall have transferred Bonds to the Transferee<sup>2</sup>'s account at the relevant delivery system against payment.



**During Euroclear/Clearstream Luxemburg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxemburg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxemburg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxemburg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

**During Clearstream Frankfurt standard cycle**

Where the Clearing House is taking delivery of Bonds via one of its Clearstream Frankfurt agents, and a Seller fails to deliver to the Clearing House Deliverable Bonds in the standard cycle, the Clearing House will attempt to borrow stock.

All costs arising as a result of failure to deliver to the Clearing House (in the Clearstream Frankfurt standard cycle) will be passed to the defaulting Selling Clearing Member.

**2J.8.6.6(f)** S + 1 *The first Frankfurt working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin ~~obligations~~ for successfully completed deliveries.

**APPENDIX 2J.A****1.10 NLX Client Clearing****1.10.1 NLX Service Clearing Member Client Clearing – Ancillary Documentation****(a) Security Deed**

Unless specified otherwise by the Clearing House, a NLX Service 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 NLX Service Clearing Member is required to ensure that it includes certain language in its agreement with its NLX Clearing Client (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (Margin and Collateral).

NLX Clearing Clients' attention is drawn to the End-User Notice which is published on the Clearing House's website:

[●]<sup>1</sup>

**1.10.2 Backup Clearing Members**

An NLX Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the NLX Contracts entered into by a NLX Service Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a NLX Service Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a NLX Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing House shall not require consent from any person in advance of sending these details.

Note: The appointment by an NLX Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that NLX Contracts will always be transferred to that Backup Clearing Member. Porting of NLX Contracts, following a NLX Service Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

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1 To insert web address upon the relevant website link going live

## 1.11 Indirect Clearing

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

- (a) in circumstances where (i) the NLX Service 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 NLX Service 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 NLX 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**"); or
- (b) transfer the relevant Related NLX Contracts from the relevant Indirect Omnibus Segregated Account to a new Omnibus Segregated Account opened within the Clearing House by the relevant NLX Service Clearing Member directly on behalf of the relevant clients (a "**Direct Account Opening**").

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 NLX 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 NLX Contracts to the NLX Service Clearing Member's Proprietary Account (a "**Fallback Transfer**").

1.11.2 Each of the steps referred to in paragraphs 1.11.1(a) and 1.11.1(b) 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 NLX Service Clearing Member to the relevant NLX Clearing Client or from the relevant NLX Clearing Client to the relevant NLX Service 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 NLX Service Clearing Member on the relevant NLX Clearing Client and copied to each of the relevant Indirect Clearing Clients, alerting that NLX Clearing Client and those Indirect Clearing Clients (i) of its intention to request a Client to Client Porting or a Direct Account Opening (as applicable) in respect of the relevant Related NLX 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 NLX Service Clearing Member in a form suitable to the Clearing House

Unless contested by the relevant NLX Clearing Client, the Clearing House will usually arrange a transfer of Related NLX Contracts in the case of a Fallback Transfer, within 24 hours of the relevant Impossibility Determination.

For the purposes of this Section 1.11, a "**Related NLX Contract**" means in respect of a transaction between a NLX Service Clearing Member and a NLX Clearing Client which has been terminated on an early termination date, the open position represented by the NLX Contract entered into with the Clearing House by such NLX Service Clearing Member on behalf of the relevant NLX Clearing Client on equal and opposite terms to such transaction, save that, in this Section 1.11, the NLX Clearing Client is acting on behalf of Indirect Clearing Clients comprising an Indirect Omnibus Segregated Account.

**SCHEDULE 1**  
**ACCOUNT SALE**

06-Mar-2014

LCH.CLEARNET LIMITED

Aldgate House -33 Aldgate High Street -London -EC3N 1EA  
Telephone +44 (0)20-7426 7000 -Fax +44 (0)20-7426 7001

~~S~~

Account Sale

Clearing Member : AAA Subaccount : House

~~Ref Id : 3~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR~~

~~P~~

~~E~~

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

~~C~~

~~I~~

In a/c with LCH.Clearnet Limited

~~M~~

NLX LONG GILT FUTURE

~~Delivery Month : MAR 2014 Settlement Date : 17 MAR 2014~~

Delivery Month : MAR 2014 Settlement Date : 10-MAR-2014

Tendered in fulfilment of 104 lots of:-

~~Stock Code : GB0009997114  
Coupon Rate : 5.250%  
Maturity Date : 07 Dec 2020~~

~~N~~

Nominal Value	:	GBP	10,400,000.00
EDSP	:		107.41
Price Factor	:		1.2554334
Initial Accrued	:		1746.58
Delivery Days @	:		17.1233
Total Daily Accrued	:	171.233	
Countervalue	:	GBP	14223446.64

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**APPENDIX 2J.B**

<u>Stock Code</u>	:	<u>GB0009997114</u>	
<u>Coupon Rate</u>	:	<u>5.250%</u>	
<u>Maturity Date</u>	:	<u>07-Dec-2020</u>	
<u>Nominal Value</u>	:	<u>GBP</u>	<u>10,400,000.00</u>
<u>EDSP</u>	:		<u>107.41</u>
<u>Price Factor</u>	:		<u>1.2554334</u>
<u>Initial Accrued</u>	:		<u>1746.58</u>
<u>Delivery Days @</u>	:		<u>17.1233</u>
<u>Total Daily Accrued</u>	:		<u>171.233</u>
<u>Countervalue</u>	:	<u>GBP</u>	<u>14223446.64</u>

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 2**  
**INVOICE (GILTS/GILTS)**

06-Mar-2014

LCH.CLEARNET LIMITED

Aldgate House –33 Aldgate High Street –London –EC3N 1EA  
Telephone +44 (0)20-7426 7000 –Fax +44 (0)20-7426 7001

~~S~~

Invoice

~~Clearing Member : AAA Subaccount : House~~

~~Ref Id : 3~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR~~

~~P~~

~~E~~

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

~~C~~

~~I~~

In a/c with LCH.Clearnet Limited

~~M~~

NLX LONG GILT FUTURE

~~Delivery Month : MAR 2014 Settlement Date : 10 MAR 2014~~

Delivery Month : MAR 2014 Settlement Date : 10-MAR-2014

~~E~~

~~N~~

Tendered in fulfilment of 104 lots of:-

~~Stock Code : GB0009997114~~

~~Coupon Rate : 5.250%~~

~~Maturity Date : 07 Dec 2020~~

~~Nominal Value : GBP 10,400,000.00~~



EDSP	:	107.41
Price Factor	:	1.2554334
Initial Accrued	:	1746.58
Delivery Days @	:	17.1233
Total Daily Accrued	:	171.233

Countervalue	:	GBP	14223446.64
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<u>Stock Code</u>	:	<u>GB0009997114</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>07-Dec-2020</u>

<u>Nominal Value</u>	:	<u>GBP</u>	<u>10,400,000.00</u>
<u>EDSP</u>	:		<u>107.41</u>
<u>Price Factor</u>	:		<u>1.2554334</u>
<u>Initial Accrued</u>	:		<u>1746.58</u>
<u>Delivery Days @</u>	:		<u>17.1233</u>
<u>Total Daily Accrued</u>	:		<u>171.233</u>
<u>Countervalue</u>	:	<u>GBP</u>	<u>14223446.64</u>

E. & O.E.

Registered in England No. 25932 Registered Office:  
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**APPENDIX 2J.C**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**S**

**SCHEDULE 3**  
**NLX LONG GILT FUTURE DELIVERY INSTRUCTIONS FOR SELLERS (GILTS/GILTS)**

06-MAR-2014

**P**

LCH.CLEARNET LIMITED  
 Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
 Telephone +44 (0)20-7426 7000

NLX LONG GILT FUTURE

DELIVERY INSTRUCTION FOR SELLERS

**E**  
 Delivery Month : MAR 2014

Delivery to the Clearing House at CREST

Clearing Member: AAA Subaccount: Client

From Clearing Member's Del Centre : CREST

AAA FUTURES LTD  
 TENDER HOUSE  
 FENCHURCH STREET  
 LONDON

**C**

Account No : 92506  
 Account Name : AAA FUTURES

FSP : 107.41

Notice Date : 06-MAR-2014

Currency Id: GBP

Settlement Date : 10-MAR-2014

**I**

Instr.	Clearing House Agent Name	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
	CREST	5172	14223446.64	GB0009997114	10,400,000.00	104

Delivery Month: MAR 2014

**M**

Delivery to the Clearing House at CREST

Clearing Member: AAA Subaccount: Client

From Clearing Member's Del Centre : CREST

AAA FUTURES LTD

**F**

TENDER HOUSE  
FENCHURCH STREET  
LONDON  
FUTURES

Account No : 92506  
Account Name : AAA

FSP : 107.41 Notice Date : 06-MAR-2014  
Currency Id: : GBP  
Settlement Date : 10-MAR-2014

<u>Instr. Clearing House Agent Name</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>CREST</u>	<u>5172</u>	<u>14223446.64</u>	<u>GB0009997114</u>	<u>10,400,000.00</u>	<u>104</u>

E. & O.E. \_\_\_\_\_

~~Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000~~

**~~APPENDIX 2J.D~~**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 4**  
**NLX LONG GILT FUTURE DELIVERY INSTRUCTIONS FOR BUYERS (GILTS)**

06-MAR-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

**NLX LONG GILT FUTURE**  
**DELIVERY INSTRUCTION FOR BUYERS**

Delivery Month : MAR 2014  


---

Clearing Member: AAA Subaccount: Client  


---

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  


---

FSP : 107.41  


---

Currency Id: : GBP  


---

Settlement Date : 10 MAR 2014  


---

Instr. Clearing House Agent Name Clearing House Account No Countervalue Stock Code Nominal Value Lots  


---

CREST 5172 14223446.64 GB0009997114 10,400,000.00 104

Delivery Month: MAR 2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE

Delivery to the Clearing House at CREST

To Clearing Member's Del Centre : CREST

FENCHURCH STREET  
LONDON

Account No : 92506  
Account Name : AAA FUTURES

FSP : 107.41  
Currency Id: : GBP  
Settlement Date : 10-MAR-2014

Notice Date : 06-MAR-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>CREST</u>	<u>5172</u>	<u>14223446.64</u>	<u>GB0009997114</u>	<u>10,400,000.00</u>	<u>104</u>	

E. & O.E

Registered in England No. 25932—Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**APPENDIX 2J.E**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

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~~E~~



SCHEDULE 5  
ACCOUNT SALE (~~EURO BUNDEURO BUND~~)

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House –33 Aldgate High Street –London –EC3N 1EA  
Telephone +44 (0)20-7426 7000 –Fax +44 (0)20-7426 7001

~~Account Sale~~

~~Clearing Member : AAA Subaccount : House~~

~~Ref Id : 3~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR~~

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

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-----  
NLX GERMAN GOVT. BOND (EURO BUND) FUTURE

~~Delivery Month : JUN 2014 Settlement Date : 10 JUN 2014~~

Delivery Month : JUN 2014 Settlement Date : 10-JUN-2014

Tendered in fulfilment of 203 lots of:-:

~~Stock Code : DE0001135051  
Coupon Rate : 5.250%  
Maturity Date : 04 JAN 2023~~

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
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<u>Stock Code</u>	:	<u>DE0001135051</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-JAN-2023</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.20</u>
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E. & O.E.

~~Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000~~

**APPENDIX 2J.F**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 6**  
**INVOICE (~~EURO-BUNDEURO BUND~~)**

06-JUN-2014

~~S~~

LCH.CLEARNET LIMITED  
Aldgate House -33 Aldgate High Street -London -EC3N 1EA  
Telephone +44 (0)20-7426 7000 -Fax +44 (0)20-7426 7001

Invoice

~~Clearing Member : AAA Subaccount : House~~

~~Ref Id : 3~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR~~

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH.Clearnet Limited

NLX GERMAN GOVT. BOND (EURO BUND) FUTURE

~~Delivery Month : JUN 2014 Settlement Date : 10 JUN 2014~~

Delivery Month : JUN 2014 Settlement Date : 10-JUN-2014

Tendered in fulfilment of 203 lots of  $\pm$

~~Stock Code : DE0001135051  
Coupon Rate : 5.250%  
Maturity Date : 04 JAN 2023~~

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.02
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<u>Stock Code</u>	:	<u>DE0001135051</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-JAN-2023</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.02</u>
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E. & O.E.

~~Registered in England No. 25932—Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000~~

**APPENDIX 2J.G**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

SCHEDULE 7

NLX GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTIONS FOR SELLERS (EURO-BUNDEURO BUND)

06-JUN-2014

~~P~~

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

~~NLX GERMAN GOVT. BOND (EURO BUND) FUTURE~~

~~E~~

~~DELIVERY INSTRUCTION FOR SELLERS~~

~~Delivery Month : JUN 2014~~

~~Delivery to the Clearing House at CED~~

~~Clearing Member: AAA Subaccount: Client~~

~~From Clearing Member's Del Centre : CED~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET~~

~~E~~

~~Agent Name : Clearstream  
Luxemburg LONDON~~

~~Agent No :~~

~~Account Name :~~

~~AAA FUTURES~~

~~I~~

~~Account No : 40256  
Notice Date : 06 JUN 2014~~

~~FSP : 113.41~~

~~Currency Id: EUR~~

~~Settlement Date : 10 JUN 2014~~

~~M~~

~~Instr. Clearing House Agent Name Clearing House Agent No Clearing House Account No Countervalue Stock Code Nominal Value Lots~~

~~51 Clearstream Luxemburg 18764 22,340,840.20 DE0001135051 20,300,000.00 203~~

Delivery Month: JUN 2014

Delivery to the Clearing House at CED

Clearing Member: AAA Subaccount: Client

~~E~~

<u>AAA FUTURES LTD</u>					<u>From Clearing Member's Del Centre</u>	:	<u>CED</u>
<u>TENDER HOUSE</u>					<u>Agent Name</u>	:	<u>Clearstream</u>
<u>FENCHURCH STREET</u>							<u>Luxemburg</u>
<u>LONDON</u>					<u>Agent No</u>	:	
					<u>Account Name</u>	:	<u>AAA FUTURES</u>
					<u>Account No</u>	:	<u>40256</u>
					<u>Notice Date</u>	:	<u>06-JUN-2014</u>
<u>FSP</u>	:	<u>113.41</u>					
<u>Currency Id:</u>	:	<u>EUR</u>					
<u>Settlement Date</u>	:	<u>10-JUN-2014</u>					
<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>51</u>	<u>Clearstream Luxemburg</u>		<u>18764</u>	<u>22,340,840.20</u>	<u>DE0001135051</u>	<u>20,300,000.00</u>	<u>203</u>

E. & O.E

~~Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000~~



**APPENDIX 2J.H**

Registered in England No. 25932 Registered Office:

Aldgate House, 33 Aldgate High Street, London EC3N 1EA

A Recognised Clearing House under the Financial Services and Markets Act 2000

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**SCHEDULE 8**

**NLX GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTIONS FOR BUYERS (EURO BUNDEURO BUND)**

06-JUN-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20 7426 7000

**NLX GERMAN GOVT. BOND (EURO BUND) FUTURE**

**DELIVERY INSTRUCTION FOR BUYERS**

~~Delivery Month : JUN 2014~~

~~Clearing Member: AAA Subaccount: Client~~ ~~Delivery from the Clearing House at CED~~  
~~To Clearing Member's Delivery Centre : CED AAA~~  
~~FUTURES LTD~~  
~~TENDER HOUSE~~ ~~Agent Name : Clearstream~~  
~~FENCHURCH STREET~~ ~~Luxemburg LONDON~~  
~~Agent No :~~  
~~Account Name : AAA FUTURES~~  
~~Account No : 40256~~  
~~FSP : 113.41~~ ~~Notice Date : 06 JUN 2014~~  
~~Currency Id: EUR~~  
~~Settlement Date : 10 JUN 2014~~  
~~Instr. Clearing House Agent Name Clearing House Agent No Clearing House Account No Countervalue Stock Code Nominal Value Lots~~  
~~41 Clearstream Luxembourg 18764 22,340,840.20 DE0001135051 20,300,000.00 203~~

Delivery from the Clearing House at CED

Delivery Month: JUN 2014  
Clearing Member: AAA Subaccount: Client

To Clearing Member's Delivery Centre : CED

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Agent Name : Clearstream Luxemburg  
Agent No :  
Account Name : AAA FUTURES  
Account No : 40256

FSP : 113.41      Notice Date : 06-JUN-2014  
Currency Id: : EUR  
Settlement Date : 10-JUN-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>41</u>	<u>Clearstream Luxemburg</u>		<u>18764</u>	<u>22,340,840.20</u>	<u>DE0001135051</u>	<u>20,300,000.00</u>	<u>203</u>

E. & O.E

~~Registered in England No. 25932—Registered Office:~~  
~~Aldgate House, 33 Aldgate High Street, London EC3N 1EA~~  
~~A Recognised Clearing House under the Financial Services and Markets Act 2000~~

**~~APPENDIX 2J.I~~**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 9**  
**ACCOUNT SALE (BOBL)**

08-SEP-2014

**S**

LCH.CLEARNET LIMITED  
Aldgate House -33 Aldgate High Street -London -EC3N 1EA  
Telephone +44 (0)20-7426 7000 -Fax +44 (0)20-7426 7001

Account Sale

Clearing Member **P** : AAA Subaccount : House  
Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

**E**

Clearing Member : AAA Subaccount : House  
Ref Id : 3

**C**

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

**I**

In a/c with LCH.Clearnet Limited

**M**

NLX GERMAN GOVT. BOND (BOBL) FUTURE

**E**

Delivery Month : SEP 2014 Settlement Date : 10 SEP 2014

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

**N**

Tendered in fulfilment of 203 lots of:-

Stock Code : DE0001135052  
Coupon Rate : 5.250%  
Maturity Date : 04 APR 2019

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
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<u>Stock Code</u>	:	<u>DE0001135052</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-APR-2019</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.20</u>
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E. & O.E.

Registered in England No. 25932—Registered Office:  
 Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
 A Recognised Clearing House under the Financial Services and Markets Act 2000

**~~APPENDIX 2J.J~~**

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 10**  
**INVOICE ~~(BOBL)~~**

08-SEP-2014

~~S~~

LCH.CLEARNET LIMITED  
Aldgate House –33 Aldgate High Street –London –EC3N 1EA  
Telephone +44 (0)20-7426 7000 –Fax +44 (0)20-7426 7001

Invoice

~~Clearing Member : AAA Subaccount : House~~  
~~Ref Id : 3~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR~~

~~E~~

Clearing Member : AAA Subaccount : House  
Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

~~I~~

In a/c with LCH.Clearnet Limited

~~M~~

~~NLX GERMAN GOVT. BOND (BOBL) FUTURE~~

~~Delivery Month : SEP 2014 Settlement Date : 10 SEP 2014~~

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

~~N~~

Tendered in fulfilment of 203 lots of:-

~~Stock Code : DE0001135052  
Coupon Rate : 5.250%  
Maturity Date : 04 APR 2019~~



<del>Nominal Value</del>	<del>:</del>	<del>EUR</del>	<del>20,300,000.00</del>
<del>EDSP</del>	<del>:</del>		<del>113.41</del>
<del>Price Factor</del>	<del>:</del>		<del>0.950491</del>
<del>Accrued Interest</del>	<del>:</del>		<del>2258.22</del>

<del>Countervalue</del>	<del>:</del>	<del>EUR</del>	<del>22,340,840.02</del>
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<u>Stock Code</u>	<u>:</u>	<u>DE0001135052</u>
<u>Coupon Rate</u>	<u>:</u>	<u>5.250%</u>
<u>Maturity Date</u>	<u>:</u>	<u>04-APR-2019</u>

<u>Nominal Value</u>	<u>:</u>	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	<u>:</u>		<u>113.41</u>
<u>Price Factor</u>	<u>:</u>		<u>0.950491</u>
<u>Accrued Interest</u>	<u>:</u>		<u>2258.22</u>

<u>Countervalue</u>	<u>:</u>	<u>EUR</u>	<u>22,340,840.20</u>
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E. & O.E.

~~Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000~~

**APPENDIX 2J.K**

**S** Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**P**

**E**

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**M**

**E**

**SCHEDULE 11**  
**NLX BOBL FUTURE DELIVERY INSTRUCTIONS FOR SELLERS (BOBL)**

08-SEP-2014

LCH.CLEARNET LIMITED  
 Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
 Telephone +44 (0)20-7426 7000

NLX BOBL FUTURE

DELIVERY INSTRUCTION FOR SELLERS

~~Delivery Month : SEP 2014~~

~~Clearing Member: AAA Subaccount: Client~~ Delivery to the Clearing House at CED  
~~AAA FUTURES LTD~~ From Clearing Members Del Centre : CED  
~~TENDER HOUSE~~ Agent Name : Clearstream  
~~FENCHURCH STREET~~ Luxemburg  
~~LONDON~~ Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
~~FSP : 113.41~~ Notice Date : 08 SEP 2014  
~~Currency Id: EUR~~  
~~Settlement Date : 10 SEP 2014~~

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
51	Clearstream Luxemburg		18764	22,340,840.20	DE0001135052	20,300,000.00	203

Delivery Month: SEP 2014  
Clearing Member: AAA Subaccount: Client

Delivery to the Clearing House at CED  
From Clearing Members Del Centre : CED  
Agent Name : Clearstream Luxemburg

AAA FUTURES LTD  
TENDER HOUSE

FENCHURCH STREET  
LONDON

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41

Currency Id: : EUR

Settlement Date : 10-SEP-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>51</u>	<u>Clearstream Luxemburg</u>		<u>18764</u>	<u>22,340,840.20</u>	<u>DE0001135051</u>	<u>20,300,000.00</u>	<u>203</u>

E. & O.E

~~Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA~~

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

~~NLX BOBL Future A Recognised Clearing House under the Financial Services and Markets Act 2000~~

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~~APPENDIX 2J.L~~

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**SCHEDULE 12 DELIVERY INSTRUCTIONS FOR BUYERS (BOBL)**

08-SEP-2014

LCH.CLEARNET LIMITED  
 Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
 Telephone +44 (0)20-7426 7000

NLX BOBL FUTURE  
 DELIVERY INSTRUCTION FOR BUYERS

~~Delivery Month : SEP 2014~~

~~Clearing Member: AAA Subaccount: Client~~ ~~Delivery from the Clearing House at CED~~  
~~AAA FUTURES LTD~~ ~~To Clearing Members Delivery Centre: CED~~  
~~TENDER HOUSE~~ ~~Agent Name : Clearstream~~  
~~FENCHURCH STREET~~ ~~Luxemburg LONDON~~  
~~Agent No~~  
~~Account Name : AAA FUTURES~~  
~~Account No : 40256~~  
~~FSP : 113.41~~ ~~Notice Date : 08 SEP 2014~~  
~~Currency Id: EUR~~  
~~Settlement Date : 10 SEP 2014~~  
~~Instr. Clearing House Agent Name Clearing House Agent No Clearing House Account No Countervalue Stock Code Nominal Value Lots~~  
~~41 Clearstream Luxemburg 18764 22,340,840.20 DE0001135052 20,300,000.00 203~~

Delivery Month: SEP  
2014

Clearing Member: AAA Subaccount:  
Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Delivery from the Clearing House at CED

To Clearing Member's Delivery : CED  
Centre

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES

<u>FSP</u>	:	<u>113.41</u>	<u>Account No</u>	:	<u>40256</u>
<u>Currency Id:</u>	:	<u>EUR</u>	<u>Notice Date</u>	:	<u>08-SEP-2014</u>
<u>Settlement Date</u>	:	<u>10-SEP-2014</u>			

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>41</u>	<u>Clearstream Luxemburg</u>		<u>18764</u>	<u>22,340,840.20</u>	<u>DE0001135052</u>	<u>20,300,000.00</u>	<u>203</u>

E. & O.E

Registered in England No. 25932 ~~Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000~~

**APPENDIX 2J.M**

**Account Sale (SCHATZ)**

08-SEP-2014

**S**

LCH.CLEARNET LIMITED  
 Aldgate House—33 Aldgate High Street—London—EC3N 1EA  
 Telephone +44 (0)20 7426 7000—Fax +44 (0)20 7426 7001

Account Sale

Clearing Member : AAA Subaccount : House

Ref Id : P-3

**P**  
 AAA FUTURES LTD  
 TENDER HOUSE  
 FENCHURCH STREET  
 LONDON EC3 4DR

**E** In a/c with LCH.Clearnet Limited

**C** NLX GERMAN GOVT. BOND (SCHATZ) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

**I**  
 Stock Code : DE0001135053  
 Coupon Rate : 5.250%  
 Maturity Date : 04-AUG-2016

**M**

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22
Countervalue	:	EUR	22,340,840.20

**E** E. & O.E.

Registered in England No. 25932—Registered Office:  
 Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
 A Recognised Clearing House under the Financial Services and Markets Act 2000

**N**



**APPENDIX 2J.N**

Invoice

(SCHATZ

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SCHEDULE 13  
ACCOUNT SALE (SCHATZ)

08-SEP-2014

~~S~~

LCH.CLEARNET LIMITED  
Aldgate House –33 Aldgate High Street –London –EC3N 1EA  
Telephone +44 (0)20-7426 7000 –Fax +44 (0)20-7426 7001

Invoice

~~Clearing Member : AAA Subaccount : House~~

~~Ref Id : 3~~

~~AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR~~

~~E~~

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH.Clearnet Limited

~~M~~

~~NLX GERMAN GOVT. BOND (SCHATZ) FUTURE~~

~~Delivery Month : SEP 2014 Settlement Date : 10 SEP 2014~~

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

~~Stock Code : DE0001135053  
Coupon Rate : 5.250%  
Maturity Date : 04 AUG 2016~~

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22
Countervalue	:	EUR	22,340,840.02

E. & O.E.

<u>Stock Code</u>	:	<u>DE0001135053</u>
<u>Coupon Rate</u>	:	<u>5.250%</u>
<u>Maturity Date</u>	:	<u>04-AUG-2016</u>

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

<u>Countervalue</u>	:	<u>EUR</u>	<u>22,340,840.20</u>
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E. & O.E.

Registered in England No. 25932- Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

SCHEDULE 14  
INVOICE (SCHATZ)

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member           : AAA                    Subaccount       : House

Ref Id                        : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH.Clearnet Limited

---

NLX GERMAN GOVT. BOND (SCHATZ) FUTURE

Delivery Month   : SEP 2014            Settlement Date   : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

Stock Code                : DE0001135053  
Coupon Rate             : 5.250%  
Maturity Date            : 04-AUG-2016

<u>Nominal Value</u>	:	<u>EUR</u>	<u>20,300,000.00</u>
<u>EDSP</u>	:		<u>113.41</u>
<u>Price Factor</u>	:		<u>0.950491</u>
<u>Accrued Interest</u>	:		<u>2258.22</u>

Countervalue               : EUR                               22,340,840.20

E. & O.E.

Registered in England No. 25932 Registered Office:  
Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000



**APPENDIX 2J.0**

**SCHEDULE 15 DELIVERY INSTRUCTIONS**  
**NLX SCHATZ FUTURE DELIVERY INSTRUCTION FOR SELLERS (SCHATZSCHATZ)**

08-SEP-2014

~~S~~

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

~~P~~

NLX SCHATZ FUTURE  
DELIVERY INSTRUCTION FOR SELLERS

Delivery Month : ~~SEP 2014~~

Clearing House at ~~CED~~ Delivery to the  
Clearing Member: ~~AAA~~ Subaccount: ~~Client~~ Client

Members Del Centre : ~~CED~~ From Clearing

~~AAA FUTURES LTD~~  
~~TENDER HOUSE~~

Clearstream Agent Name  
~~FENCHURCH STREET~~

Luxemburg LONDON  
Agent No :

Account Name : ~~AAA FUTURES~~

Account No  
: 40256  
FSP : 113.41 Notice Date  
: 08-SEP-2014

Currency Id: : ~~EUR~~

Settlement Date : ~~10-SEP-2014~~

Instr. Clearing House Agent Name Clearing House Agent No Clearing House Account No Countervalue Stock  
Code Nominal Value Lots

~~51 Clearstream Luxemburg 18764 22,340,840.20~~  
~~DE0001135053 20,300,000.00 203~~

Delivery Month: SEP 2014

Delivery to the Clearing House at CED

Clearing Member: Subaccount:  
AAA Client

From Clearing : CED  
Member's Del Centre

AAA FUTURES  
LTD  
TENDER HOUSE  
FENCHURCH  
STREET  
LONDON

Agent Name : Clearstream  
Luxemburg

Agent No :

Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

<u>Inst</u>	<u>Clearing House</u>	<u>Clearing House</u>	<u>Clearing House</u>	<u>Counterval</u>	<u>Stock</u>	<u>Nominal</u>	<u>Lot</u>
<u>r.</u>	<u>Agent Name</u>	<u>Agent No</u>	<u>Account No</u>	<u>ue</u>	<u>Code</u>	<u>Value</u>	<u>s</u>
<u>51</u>	<u>Clearstream</u>		<u>18764</u>	<u>22,340,840.</u>	<u>DE000113</u>	<u>20,300,000</u>	<u>203</u>
	<u>Luxemburg</u>			<u>20</u>	<u>5053</u>	<u>.00</u>	

E. & O.E

Registered in England No. 25932 Registered Office:  
Aldgate House, -33 Aldgate High Street, -London -EC3N 1EA  
A Recognised Clearing House under the Financial Services and Markets Act 2000

NLX Schatz Future ~~A Recognised Clearing House under the Financial Services and Markets Act 2000~~



APPENDIX 2J.P

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**SCHEDULE 16DELIVERY INSTRUCTIONS FOR BUYERS (SCHATZ)**

08-SEP-2014

LCH.CLEARNET LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

**NLX-SCHATZ-FUTURE**

**DELIVERY INSTRUCTION FOR BUYERS**

~~Delivery Month : SEP 2014~~

~~Delivery from the Clearing House at CED~~

~~Clearing Member: AAA Subaccount: Client~~

~~To Clearing Members Delivery Centre: CED~~

~~AAA FUTURES LTD~~

~~TENDER HOUSE~~

~~FENCHURCH STREET~~

~~Agent Name : Clearstream~~

~~Luxemburg LONDON~~

~~Agent No :~~

~~Account Name : AAA FUTURES~~

~~Account No : 40256~~

~~FSP : 113.41~~

~~Notice Date : 08 SEP 2014~~

~~Currency Id : EUR~~

~~Settlement Date : 10 SEP 2014~~

<del>Instr.</del>	<del>Clearing House Agent Name</del>	<del>Clearing House Agent No</del>	<del>Clearing House Account No</del>	<del>Countervalue</del>	<del>Stock Code</del>	<del>Nominal Value</del>	<del>Lots</del>
<del>41</del>	<del>Clearstream Luxemburg</del>	<del>18764</del>	<del>18764</del>	<del>22,340,840.20</del>	<del>DE0001135053</del>	<del>20,300,000.00</del>	<del>203</del>

Delivery Month: SEP 2014

Delivery to the Clearing House at CED

Clearing Member: AAA Subaccount: Client

From Clearing Member's Del Centre : CED

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

<u>Instr.</u>	<u>Clearing House Agent Name</u>	<u>Clearing House Agent No</u>	<u>Clearing House Account No</u>	<u>Countervalue</u>	<u>Stock Code</u>	<u>Nominal Value</u>	<u>Lots</u>
<u>41</u>	<u>Clearstream Luxemburg</u>		<u>18764</u>	<u>22,340,840.20</u>	<u>DE0001135053</u>	<u>20,300,000.00</u>	<u>203</u>

E. & O.E

Registered in England No. 25932 Registered Office:  
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~~A Recognised Clearing House under the Financial Services and Markets Act 2000~~  
A Recognised Clearing House under the Financial Services and Markets Act 2000

**SECTION 3**

**CONTENTS**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 3**

**FINANCIAL TRANSACTIONS**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>3. FINANCIAL TRANSACTIONS .....</del>	<del>2</del>
<del>3.1. ACCOUNTS .....</del>	<del>2</del>
<del>3.2. PROTECTED PAYMENTS SYSTEM (PPS) .....</del>	<del>3</del>
<del>3.3. ACCEPTABLE FORMS OF COLLATERAL .....</del>	<del>8</del>
<del>3.4. DISTRIBUTION OF COLLATERAL .....</del>	<del>9</del>
<del>3.5. INTEREST AND ACCOMMODATION CHARGE STRUCTURE .....</del>	<del>12</del>
<del>3.6. FEES .....</del>	<del>15</del>
<del>3.7. participation monies .....</del>	<del>16</del>
<del>APPENDIX 3A .....</del>	<del>18</del>
<del>LCH.Clearnet bank accounts in Hong Kong .....</del>	<del>18</del>
<u>1. Financial Transactions .....</u>	<u>1</u>
<u>1.1 Accounts and ledgers .....</u>	<u>1</u>
<u>1.2 Financial Transaction Reporting .....</u>	<u>2</u>
<u>1.3 Protected Payments System (PPS) .....</u>	<u>3</u>
<u>1.4 Acceptable Forms of Collateral .....</u>	<u>9</u>
<u>1.5 Distribution of Collateral .....</u>	<u>10</u>
<u>1.6 Interest .....</u>	<u>12</u>
<u>1.7 Fees .....</u>	<u>13</u>
<u>1.8 VAT Status .....</u>	<u>13</u>
<u>1.9 Participation Monies .....</u>	<u>13</u>
<u>1.10 Clearing House Reporting .....</u>	<u>14</u>
<u>Schedule 1 LCH.Clearnet Bank Accounts in Hong Kong .....</u>	<u>15</u>

## ~~FINANCIAL TRANSACTIONS~~

### ~~ACCOUNTS~~

#### ~~Overview~~

~~Clearing Members are usually provided with two financial accounts that reflect their House and Client business; other financial accounts may be provided depending upon their participation in certain markets. All Clearing Members will also have a Default Fund (DF) account.~~

~~Each financial account will in turn have at least one sub account:~~

- ~~• Collateral account; and other sub accounts depending on the market and Collateral provided, for example:~~
- ~~• Tender account;~~

~~Coupon account (for payment of coupons on securities held as~~

## 1. FINANCIAL TRANSACTIONS

### 1.1 Accounts and ledgers

#### 1.1.1 Proprietary Accounts

Each Proprietary Account will map to two sub-accounts:

- (a) a position account; and
- ~~• a collateral); and~~
- ~~• (b) Buffer account (where additional~~ a "House Collateral may be provided). Account").

~~Liabilities arising from trading activity are recorded against~~ A Clearing Member must identify the Proprietary Account to which Collateral is to be credited. The Clearing House shall credit such Collateral to the collateral account only. Sub-accounts are used to record cash movements between of the Clearing House and the Clearing Member. Postings may be applied to relevant Proprietary Account.

#### 1.1.2 Client Accounts

A Client Financial Account is comprised of one or more Client Accounts. Each Client Account will map to two or more sub-accounts:

- (a) one or more position account; and
- (b) one or more collateral, Tender and other sub accounts.

A Clearing Member must identify the Client Account to which Collateral is to be credited. The Clearing House shall credit such Collateral to the collateral account of the relevant Client Account.

#### ~~3.1.2.~~ 1.1.3 Collateral Account Postings

Transactions posted to the collateral account include but are not limited to:

- ~~• (a)~~ PPS calls and pays;
- ~~• (b)~~ option premiums;
- ~~• (c)~~ prompt day delivery amounts;
- ~~• (d)~~ interest and accommodation charges;
- ~~• (e)~~ Clearing House fees, charges and rebates;
- ~~• (f)~~ exchange fees, levies and rebates; and
- ~~(g)~~ Variation amounts credited or debited in respect of variation margin, Price Alignment Interest price alignment interest, NPV, and coupons;

(h) cash settlement; and

(i) settlement differences.

Details of Collateral balances, valuations and instructions are also available using the on-line Collateral Management System ("CMS").

#### 1.1.4 Ledgers

(a) Each collateral account may comprise one or more ledgers including:

(i) tender ledger;

(ii) coupon ledger (for payment of coupons on securities held as Collateral); and

(iii) buffer ledger (for House Excess or Client Excess (as applicable)).

- Liabilities arising from trading activity are recorded against the relevant collateral account only. Ledgers are used to record cash movements between the Clearing House and the Clearing Member. Postings may be applied to collateral, tender and other ledger accounts.

#### 3.1.3.(b) Tender Account Ledger Postings

Transactions posted to the ~~Tender account~~ tender ledger include but are not limited to:

- (i) PPS calls and pays;
- ~~—~~ delivery amounts;
- (ii) settlement differences; and
- (iii) Coupon Ppayments relating to mMember Collateral.

#### 1.1.5 Default Fund Account

Each Clearing Member will be provided with a Default Fund ("DF") account for each Service in which it participates.

#### 3.1.4.1.2 Financial Transaction Reporting

Banking reports are generated each day ~~that~~ and provide members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.



[Details of valuations, Collateral instructions and cash and non-cash balances are available through the Clearing Management System.](#)

A [“Banking Reports Reference Pack”](#) can be requested from the LCH.Clearnet Client Training Team. [This contains definitions and examples of each of the available reports.](#)

~~PROTECTED PAYMENTS SYSTEM~~[Details of Collateral balances, valuations and instructions are also available using the on-line Collateral Management System \(CMS\).](#)

### [3.2.1.3 Protected Payments System \(PPS\)](#)

The Clearing House operates a direct debit system, known as the Protected Payments System (~~(“PPS”)~~), for the transfer of funds to and from Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London (~~(“London (“UK PPS”)~~) and in the United States (where it is known as ~~(“US PPS”)~~). In this Section ~~3~~, a day on which PPS is open is referred to as a **“working day”**. The Clearing House also operates accounts in Hong Kong where Clearing Members will be mandated to hold accounts for the operation of certain Asian markets.

Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys due from Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating ~~B~~bank through PPS to make any payment, and the receipt of that commitment by the Clearing House, is not to be regarded as satisfaction of any payment due to the Clearing House.

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and ~~these General~~[the Regulations, Default Rules and Procedures.](#) Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

#### [3.2.1.1.3.1 PPS Mandates](#)

##### [3.2.1.1.\(a\) Introduction](#)

A Clearing Member is required to maintain a PPS bank account(s) in ~~London~~[the currency or currencies](#) in ~~GBP~~[which it makes Contributions,](#) and ~~infor~~[for](#) each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London. Different banks may be used for different currencies.

Each Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS ~~B~~banks (please refer to the following link for details~~:~~):

[www.lchclearnet.com/risk\\_management/ltd/pps/](http://www.lchclearnet.com/risk_management/ltd/pps/)

Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the Clearing Member holding the relevant account. ~~PPS Mandates.~~

Each Clearing Member is required to complete a standard form ~~London~~UK PPS Mandate and/or US PPS Mandate(s) (copies are available from [membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com)) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

### 3.2.1.2.(b) Currency Conversion

The Clearing House supports cross currency collateral, ~~this~~which allows the Clearing Member to elect to ~~have~~use Collateral denominated in one currency in respect of initial and contingent margin liabilities ~~covered in a currency other than that in which the liability is~~ calculated in another currency. Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with LCH.Clearnet Limited Treasury Operations.

### 3.2.1.3.(c) Morning PPS Calls

Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see ~~section 3.3~~Section 1.4) any shortfall is called through ~~London~~UK PPS with separate calls made for each currency. It is the responsibility of each Clearing Member to ensure that its ~~London~~UK PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 London time, or within one hour of a subsequent call, ~~on the day on which the PPS~~ call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House), (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to a Clearing Member, ~~P~~payments will be recognized as soon as payment instructions in respect ~~to~~of that

payment have been given to a PPA bank. For this purpose, a payment instruction will only be recognised to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS B bank.

**3.2.1.4.(d) Intraday Intra-day PPS Calls**

The intra-day margin call by the Clearing House is for intra-day Collateral transfers payments. GBP, EUR or USD can be used to collateralise cover margin obligations intraday intra-day. Between 14:30 – 16:00 (London time) only USD will be called in London.

Normally the Clearing House will call Collateral in respect of intra-day margin obligations through LondonUK PPS accounts. However, where the Clearing House wishes to make such an intra-day call after LondonUK PPS closes (16:00 London time), such a call will be made upon the Clearing Member's nominated US PPS account.

Clearing Members must designate a currency ("GBP", "EUR" or "USD") that will be called by default during the hours of LondonUK PPS for each mnemonic/sub-account. Clearing Members may request a change to the default currency no later than 09:30 am London time in order for the change to be undertaken the following day. Members can submit a request to change their currency at the following link:

[www.lchclearnet.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lchclearnet.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 hours New York Time (21:00 hours London Time).

It is noted that the Clearing House will not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intraday intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of the LCH. Clearnet Group.

**3.2.1.5.(e) Auto-repay**

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts (other than an Individual Segregated Account) at the end of each day, where the relevant Service of which the Clearing Member is a member provides an auto-repay mechanism. Clearing Members must contact Treasury

Operations in order to have auto-repay applied to their accounts. (~~LCH Operations Treasury~~ [treasury.ops.uk@lchclearnet.com](mailto:treasury.ops.uk@lchclearnet.com) or Tel +44 (0)20 7426 7505).

Those Clearing Members who are not on auto-repay may request that any cash balances on their accounts (other than an Individual Segregated Account) be repaid on the same day, provided that such request is received by the Clearing House by 09:30 London time.

In certain circumstances and following notification to one or more relevant Regulatory Bodies, the Clearing House may disable the auto-repay functionality for one or more Clearing Members. The Clearing House will notify affected Clearing Members in the event that the functionality is disabled.

### **3.2.1.6.(f) Value Date**

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in ~~sections 3.2.1.4, subject to section 3.2.1.8,~~ [Section 1.3.1\(d\)](#), [subject to Section 1.3.1\(h\)](#), all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP and USD, which are processed with value for the same business day.

### **3.2.1.7.(g) Foreign Bank Holidays**

The Clearing House has made arrangements with ~~London~~ [UK](#) PPS banks to operate the PPS on all UK banking days including foreign bank holidays.

Confirmation that PPS payments will be made must be received within the deadlines set out in ~~section 3.2.1.4,~~ [Section 1.3.1\(d\)](#). However the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency centre and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On ~~the~~ 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS ~~€~~call, for value on 21 August.

Please refer to Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

[www.lchclearnet.com/member\\_notices/](http://www.lchclearnet.com/member_notices/)

**3.2.1.8.(h)** UK Bank Holidays

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday. PPS ~~€~~calls will be made on the next following business day, for the relevant currency.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS ~~€~~calls will be made as normal that day. Value will be given the same day **provided** that the relevant currency centre is open for business. It should be noted, however, that value for GBP is given on the next GBP business day.

**3.2.1.9.(i)** Use of ~~London~~UK PPS and US PPS

These Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS ~~€~~calls. Generally ~~London~~UK PPS will be used for Morning PPS Calls (including ~~€~~Contributions to the Default Fund), remitting surplus cash balances to a Clearing Member, and for ~~making~~ intra-day margin calls up to 16:00 hours London time. However Clearing Members should be aware that the Clearing House reserves the right to direct a ~~M~~orning PPS ~~€~~call or intra-day margin calls before 16:00 hours London time to a Clearing Member's US PPS account in exceptional circumstances (an **"Exceptional PPS Call"**). The Clearing House will use all reasonable commercial endeavours to notify the Clearing Member in advance of issuing any such Exceptional PPS Call.

**3.2.1.10.(j)** Contingency Payment Arrangements

Clearing ~~m~~Members must ensure that they have contingency arrangements to ensure ~~continuity of Collateral payment~~ that they can continue to meet their margin obligations in the event of failure of their nominated PPS ~~B~~bank. From time to time the Clearing House may require the Clearing Member to provide evidence of these arrangements.

**3.2.1.11.(k)** Recovery from Insolvent PPS Banks

In the event that payment is not completed by the relevant PPS ~~B~~bank, due to insolvency ~~and not rather than~~ technical failure, and the affected Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of cost, to the accounts of the affected Clearing Members in proportion to the amount of the original missed payment.

**3.2.2.1.3.2 Hong Kong Payments**

**3.2.2.1.(a) Introduction**

In order to facilitate clearing services for the Asian/Pacific ~~M~~markets, the ability to call funds to cover margin requirements during the Asian day is required.

The Clearing House mandates that Clearing Members clearing in certain Asian markets maintain bank accounts in Hong Kong to facilitate margin calls during the Hong Kong day.

Currently only USD accounts are operated in Hong Kong.

Where the Clearing House has mandated that Clearing Members must operate an account in Hong Kong, each Clearing Member is required to maintain one US dollar account at a bank in Hong Kong where the Clearing House also operates an account—~~a.~~ A list of the banks used by the Clearing House in Hong Kong appears in ~~Appendix 3A~~ Schedule 1.

**3.2.2.2.(b) Intra-Day Margin Call in Hong Kong (overnight UK)**

The intra-day margin call by the Clearing House is for intra-day Collateral ~~transfers.~~ payments.

The Clearing Member will be requested to ~~transfer cash~~ Collateral make a payment to the Clearing House's account at their nominated bank.

A ~~transfer~~ payment to the Clearing House's account in Hong Kong may be requested between the hours of 08:00 and 16:00 Hong Kong time.

**3.2.2.3.(c) Confirmations**

The Clearing House must receive confirmation of payment from the Clearing House's bank within one hour of the Clearing House requesting funds from the Clearing Member.

**3.2.2.4.(d) Operating ~~d~~Days and Bank Holidays**

USD payments are supported during Hong Kong public holidays when the US is open.

Members may be required to transfer additional cash Collateral on any day that the markets and the Clearing House are open.

Therefore the Clearing House can instruct a USD payment on a public holiday in Hong Kong and receive good value (except on a US currency holiday when margin will be collected once UK PPS opens in UK business hours or if the Clearing House considers s that internal

measures of credit tolerance may be breached, additional Collateral can be requested ahead of US bank holidays).

(e) Value Date

Clearing Members must meet these margin calls for all USD working days even if it is a Hong Kong holiday, if the markets are open.

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and ~~these General~~the Regulations, Default Rules and Procedures.

Payment is only completed when the funds have been credited for the full value to the Clearing House bank account, at the nominated Hong Kong bank, and at the point in time when the Clearing House is able to verify that the funds are within the account.

~~ACCEPTABLE FORMS OF COLLATERAL~~

1.4 Acceptable Forms of Collateral

The Clearing House accepts certain types of Collateral in the Clearing House's prescribed form against liabilities. Please refer to the following link for further details:

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

**The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this ~~section~~, Section 1.4, either generally or in a particular case, without giving prior written notice to Clearing Members. Further, the Clearing House may vary the types of Collateral acceptable to it.**

~~3.3.1~~1.4.1 Cash

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from Clearing Members only in relation to current or anticipated obligations.

Cash used as Collateral need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 ~~hours~~London time the previous business day.

Clearing Members must give LCH.Clearnet Limited Treasury Operations no less than two ~~(2)~~-business days' notice of their intention to ~~request withdrawal of~~substitute existing cash ~~used as~~-Collateral ~~for margin and its replacement by the lodgement of~~with non-cash Collateral. ~~In the event that~~ or cash Collateral



in a different currency where the amount of cash is 50 million GBP or greater. ~~Where~~ a Clearing Member ~~seeks~~fails to ~~withdraw such cash Collateral without~~ giving~~give~~ such notice, the Clearing House may decline to transfer or release ~~such~~the cash Collateral to be withdrawn until the end of the required notice period.

### Performance Bonds

~~Certain banks are approved by the Clearing House to issue performance bonds on behalf of Clearing Members. Performance Bonds forms are available from LCH.Clearnet Limited Treasury Operations for use by the London branches of approved banks. Approved banks which are also Clearing Members may not issue performance bonds on their own behalf. Nor may approved banks issue performance bonds on behalf of Clearing Members of which they are the parent, immediate or ultimate, or which belong to the same corporate group, or in which they have a shareholding greater than 20%.~~

**~~It is essential that Clearing Members agree their proposed arrangements with LCH.Clearnet Limited Treasury Operations in advance of making arrangements to lodge a performance bonds.~~**

### ~~3.3.3.1.4.2~~ Securities and Precious MetalsGold

Please refer to the following pages on our website for both prevailing haircuts and notes on eCollateral acceptable ~~for margin purposes~~to the Clearing House:

[http://www.lchclearnet.com/risk\\_management/ltd/acceptable\\_collateral.asp](http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp)

### ~~3.3.4.1.4.3~~ Value Notification

Clearing Members may obtain details on the value ascribed to non-~~cash~~ Collateral on their account for the purpose of calculating their ~~current collateral value~~Current Collateral Value by viewing the relevant reports available on the Member Reporting Website. The value of Collateral can be viewed on the Clearing Management System. Details of Collateral balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).

### ~~3.3.5.1.4.4~~ Use of Credits as Collateral

The following credit amounts are not paid in cash, but may- (subject to the restrictions described below) be offset against certain specific margin obligations, with the result that the relevant Clearing Member will need to provide less Collateral in respect of those margin obligations:

~~NYSE-LIFFE Commodity Products delivery credit margin may be used to offset NYSE-LIFFE Commodity Products delivery debit margin within the same currency;~~

~~NYSE-LIFFE equity delivery credit margin and credit Net Liquidating Value (NLV) may be used to offset NYSE-LIFFE equity initial margin, NYSE-LIFFE equity delivery debit margin and NYSE-LIFFE equity debit NLV across currencies;~~



(a) LME credit contingent variation margin and credit net liquidating value may be used to offset LME debit contingent variation margin, debit net liquidating value and initial margin across currencies;

(b) EquityClear credit contingent margin may be used to offset EquityClear ~~initial and~~ debit contingent variation margin and initial margin across currencies;

Turquoise Derivatives credit contingent variation margin (for forwards) and credit ~~Net Liquidating Value~~ net liquidating value may be used to offset Turquoise Derivatives debit ~~initial margin, debit contingent variation margin and debit NLV across currency;~~ and

(c) ~~EnClear credit contingent~~ variation margin, debit net liquidating value and initial margin across currencies;

(d) EnClear credit net liquidating value may be used to offset EnClear debit net liquidating value and initial margin across currencies; and

(e) RepoClear credit variation margin may be used to offset RepoClear debit variation margin and initial margin across currencies.

## ~~DISTRIBUTION OF COLLATERAL~~

### ~~Overview~~

~~As different types of Collateral attract different utilisation fees and different contracts are assessed for VAT in different ways (see section 3.5.4), the Clearing House identifies the Collateral applied to liabilities in order to allow utilisation fees and VAT to be calculated correctly.~~

~~This is done by establishing a specified order for both types of liabilities and types of Collateral and applying Collateral sequentially; such that Collateral type 1 is applied first to liability type 1, Collateral type 2 to liability type 1 if there is a deficiency when Collateral type 1 has been exhausted and so on.~~

## 1.5 Distribution of Collateral

The following procedures are not in any way intended to restrict, vary, or alter the Clearing House's rights to apply Collateral held (including any described in ~~LCH.Clearnet Limited~~ Clearing House reports/records as "unutilised" or "excess") to meet the Clearing Member's liabilities/obligations to ~~LCH.Clearnet Limited~~ the Clearing House.

### ~~Liability Order~~

**Note:** ~~The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.7 below.~~

~~Liabilities will be covered in the order:~~

- ~~1. Secured debit cash balances (see section 3.2.1.10);~~
- ~~2. Variation and initial margin including offset of contingent credits (see section 3.4.6).~~

### 3.4.3-1.5.1 Collateral Application

~~**Note:** The following provision applies solely for the purpose of calculating fees during the overnight offsetting of Clearing Members collateral against liabilities. In case of default by a Clearing Member, please see section 3.4.7 below.~~

~~The order in which cover~~In the absence of a Clearing Member election, the Clearing House will be applied (apply a Clearing Member's Collateral (in turn) to each liability is as follows in the following order:

~~4.(a) Same currency non-cash Collateral (performance bonds and securities), in the Collateral Order;~~denominated in the same currency as the liability;

~~2.(b) Different currency non-cash Collateral (performance bonds and securities),~~denominated in the Collateral Order and other currencies, in the Currency Order; following order:

~~(i) Cash~~GBP;

~~(ii) USD (including gold);~~

~~(iii) CHF;~~

~~(iv) EUR;~~

~~(v) JPY;~~

~~(vi) SEK;~~

~~(vii) CAD;~~

~~(viii) NOK; then~~

~~(ix) DKK,~~

~~3.(c) cash~~ Collateral in the same currency as the liability; then

~~4.(d) C~~ash Collateral in a different currency from to the liability, in the Currency Order; nominated currency preference order.

Clearing Members may make the following choices:

- (i) whether to have cash Collateral applied before or after non-cash Collateral;

- (ii) whether to apply non-cash Collateral to liabilities in a different currency; and
- (iii) whether to apply cash Collateral to liabilities in a different currency.

3.4.4.1.5.2 Cash Currency Order Preference

~~Note: The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.7 below.~~

~~This defines~~ Clearing Members may nominate the sequence of cash Collateral distribution.

~~In the order in which different~~ absence of a nominated sequence of ~~currency preferences, a Clearing Member's~~ liabilities will be covered, ~~as well as the order in which cash/and non-~~ by cash collateral in different currencies in the same currency as the liability. This means that a GBP liability will be used as cover. The order is: covered in GBP cash, a EUR liability will be covered in EUR cash and so forth. Any further liabilities in the relevant currency will be covered by cash called via PPS.

- ~~1. ——— GBP;~~
- ~~2. ——— USD;~~
- ~~3. ——— CHF;~~
- ~~4. ——— EUR;~~
- ~~5. ——— JPY;~~
- ~~6. ——— SEK;~~
- ~~7. ——— CAD;~~
- ~~8. ——— NOK;~~
- ~~9. ——— DKK;~~

~~Collateral Order~~

~~Note: The following provision applies solely for the purpose of calculating fees. In case of default by a Clearing Member, please see section 3.4.6 below.~~

~~A Clearing Member may override this sequence with its own, on request to LCH.Clearnet Limited Treasury Operations.~~

- ~~1. — Performance Bonds;~~
- ~~2. — Treasury bills;~~

- ~~3. European (and other international) Government Debt Securities (excluding Gilts);~~
- ~~4. US Treasury Government Debt Securities;~~
- ~~5. UK Gilts;~~
- ~~6. Triparty collateral;~~

~~Precious metals~~Clearing Members may define their own sequence of cash Collateral utilisation for each mnemonic and each account type (i.e. House or Client). The sequence does not have to be on a like for like basis and a Clearing Member may choose any eligible currency to cover its liability (for example, a GBP liability can be covered in EUR cash).

~~7.~~ Any changes to a Clearing Member's nominated currency sequence, or a request relating to excess cash currency balances in a particular currency, should be notified to the Clearing House by providing a minimum of two business days' notice.

#### ~~3.4.6.1.5.3~~ Record of Collateral Transferred~~Provided~~

~~Members can obtain details in the relevant reports available on the Member Reporting Website.~~

Charges and interest shall be calculated in accordance with the information published on the website of the Clearing House.

#### 1.5.4 Use of a Defaulter's Collateral

The order of priority (in which cash and non-cash ~~e~~Collateral are applied to cover Clearing Members' liabilities), set out elsewhere in this ~~section~~Section 1.5, does not necessarily reflect the order of priority of realisation or application of Collateral which the Clearing House may follow in the case of default by a Clearing Member. Post-~~default~~ the Clearing House is entitled to realise and/or apply Collateral in whatever order it deems appropriate.

### ~~INTEREST AND ACCOMMODATION CHARGE STRUCTURE~~

#### ~~3.5.1.1.6~~ Interest rates

##### 1.6.1 Interest Rates

The Clearing House applies interest to Clearing Member's cleared cash balances:

~~The following rates are applied:~~

~~LDR – London Deposit Rate the rate at which as published on the Clearing House will pay or charge interest on credit cash balances (excluding DF Contributions and Swap Clear Client Financial account).~~House's website.

~~CDR— Client Deposit Rate—the rate at which the Clearing House will pay or charge interest on credit cash balances on SwapClear Client financial accounts.~~

~~Default Fund—The rate at which the Clearing House will pay or charge interest on default fund contributions.~~

~~Rates are available from the Member Reporting Website.~~

~~The Clearing House reserves the right to alter the basis of calculating interest rates. Any alteration will be effective on the date notified.~~

#### ~~Price Alignment Interest (PAI) Rate~~

~~To minimise the impact of daily cash Collateral payments in respect of variation margin obligations on the pricing of interest rate swaps, the Clearing House will charge interest on cumulative cash Collateral received by way of variation margin by the clearing member and pay interest on cumulative cash Collateral paid in by way of variation margin by the clearing member in respect of these instruments. This interest element is known as price alignment interest (“PAI”).~~

~~The calculation of PAI shall use the interest rates specified as below. The amount of PAI for each currency shall be calculated as:~~

~~The amount of NPV in such currency from the previous day’s COB, multiplied by the relevant interest rate in effect for that day; divided by 360 or in the case of AUD, CAD, GBP, HKD, JPY, NZD, PLN, SGD and ZAR, 365.~~

~~In the case of the currencies marked below with an asterisk, the Clearing House, as provided in Regulation 34(b), specifies that it will not change the PAI rate without the consent of all SwapClear members holding open contracts in such currencies.~~

<del>Currency</del>	<del>PAI Rate</del>
<del>USD</del>	<del>The rate used shall be the Effective Federal Funds rate, the rate published by the Board of Governors of the Federal Reserve System as such rate appears on Reuters page “FEDFUNDS1” or Telerate 120 or on any successor page(s) thereto.</del>
<del>EUR</del>	<del>The rate used shall be the EONIA rate, the rate published by the European Banking Federation and ACI— The Financial Market Association as such rate appears on Reuters page “EONIA” or Telerate 247 or on any successor page(s) thereto.</del>
<del>GBP</del>	<del>The rate used shall be the SONIA rate, the rate published by the Wholesale Markets Broker Association as such rate appears on Reuters page “SONIA” or on any successor page(s) thereto.</del>
<del>JPY</del>	<del>The rate used shall be the Mutan call rate, the rate published by the Bank of Japan as such rate appears on Reuters page “TONAR” or on any successor page(s) thereto.</del>

<b>Currency</b>	<b>PAI Rate</b>
<b>CHF</b>	<del>The rate used shall be the TOIS rate, the T/N interbank fixing as such rate appears on Reuters page "CHFTOIS" or Telerate 3450 or any successor page(s) thereto.</del>
<b>AUD</b>	<del>The rate used shall be the "AONIA" rate, the rate published by the Reserve Bank of Australia as such rate appears on Reuters page "RBA30" or any successor page(s) thereto.</del>
<b>CAD</b>	<del>The rate used shall be the "CORRA" rate, the rate published by the Bank of Canada website as such rate appears on Reuters page "CORRA" or any successor page(s) thereto.</del>
<b>DKK</b>	<del>The rate used shall be the "DKKOIS" rate, the rate published by the Danish Central Bank as such rate appears on Reuters page "DKNA14" or any successor page(s) thereto.</del>
<b>HKD</b>	<del>The rate used shall be the "HONIX" rate, the rate published by the Hong Kong Brokers Association as such rate appears on Reuters page "HONIX" or any successor page(s) thereto.</del>
<b>NZD</b>	<del>The rate used shall be the "NZIONA" rate, the rate published by the Reserve bank of New Zealand as such rate appears on Reuters page "RBNZ02" or any successor page(s) thereto.</del>
<b>PLN</b>	<del>The rate used shall be the "POLONIA" rate, the rate published by the National Bank of Poland as such rate appears on Reuters page "NBPS" or any successor page(s) thereto.</del>
<b>SEK</b>	<del>The rate used shall be the "SIOR" rate, the rate published by the OMX Exchange as such rate appears on Reuters page "SIOR" or any successor page(s) thereto.</del>
<b>ZAR</b>	<del>The rate used shall be the SFX ZAR OND rate, the rate published by SAFEX JIBAR as such rate appears on Reuters page "SFXROD" or any successor page(s) thereto.</del>
<b>CZK</b>	<del>The rate used shall be the "CZEONIA" rate, the rate published by the Czech National Bank as such rate appears on Reuters page "CZEONIA" or any successor page(s) thereto.</del>
<b>HUF</b>	<del>The rate used shall be the "HUFONIA" rate, the rate published by the National Bank of Hungary as such rate appears on Reuters page "HUFONIA" or any successor page(s) thereto.</del>

<b>Currency</b>	<b>PAI Rate</b>
SGD	The rate used shall be the "SONAR" rate, the rate published by the Association of Banks in Singapore as such rate appears on Reuters page "ABSIRFIX01" or any successor page(s) thereto.
NOK	The rate used shall be the NOK sight deposit rate, the rate published by Norges Bank as such rate appears on Reuters page "NOINTR=ECI" or any successor page(s) thereto

### Interest/Accommodation Structure

Application of Collateral	Type of Collateral					
	Credit Variation Margin	Performance Bonds	Securities	Cash	Foreign Cash	Forward Cash
Initial & Variation margin after offset	No charge or payment	Charge 0.10%	Charge 0.10%	Pay/Charge relevant rate	Pay/Charge relevant rate of Collateral currency	No charge or payment
Excess or Surplus	No charge or payment	No charge or payment	No charge or payment	Pay/Charge relevant rate	Pay/Charge relevant rate	No charge or payment

**Note:**

1. "Foreign Cash" means cash in a currency other than that of the liability.
2. "Forward Cash" means cash which has been credited to an account for later value, e.g. an amount called via PPS for next day value.

#### 3.5.4.1.6.2 **Payment of Interest and Charges**

Interest and accommodation charges are charged monthly, from the last day of the previous month to the penultimate day of the current month. Interest and accommodation charges are calculated on a daily basis and the resultant monthly total is posted to ~~Clearing Members' accounts at the beginning~~ relevant collateral account(s) of the Clearing Member for value on the third business day following ~~calendar~~ the penultimate day of the month. A VAT invoice is also issued ~~monthly~~ on the third business day of each month detailing the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency which can be found on the Member Reporting Website.

VAT is charged, dependent on contract, ~~on and~~ and accommodation charges ~~and collateral utilisation fees,~~ at current rates. - On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling collateral account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant collateral account for value on the second working day of the month succeeding the month in which the charges arose.

The invoice provides detail in respect of:

- (a) Interest due to be credited or debited; and
- (b) Accommodation charges.

VAT on accommodation charges is subject to the standard rate; some markets may be excluded.

## **FEES**

### 1.7 Fees

Details of fees and refunds pending are collated during the month.

An invoice or credit note is produced detailing the fees to be posted to ~~the house~~ collateral accounts.

The invoice/credit note displays the type of fee, contract, future or option type, currency, fee rate, volume, fee amount, VAT amount, sub totals for each fee class and the overall total posted to ~~the~~ collateral account.

Monthly postings are processed via the relevant collateral account at the beginning of the following month, on the third working day. – Other postings, such as various Market Maker Scheme rebates, are processed by the Clearing House following receipt of data from the relevant eExchange.

### 3.6.1.1.8 **VAT Status**

By default a mMember will be charged VAT for transactions on applicable markets. If the mMember's registered address is outside of the UK, or if the mMember is acting out of their non-UK operations, they will be required to provide a written declaration that their place of operations is also outside the UK for VAT purposes.

If a mMember extends to a VAT applicable market the mMember will be requested to provide written confirmation that the operations address is the same as that stated on their application form. – If the address is different, and is outside the UK, the mMember will also be asked to confirm ~~that~~this in writing so they will not be charged VAT on transactions on that market.

## ~~participation monies~~

### 1.9 Participation Monies

#### 3.7.1.1.9.1 **Share Subscriptions**

Clearing Member share subscriptions will be called via PPS on a date advised by the Clearing House. They will be called from Clearing Members' <sup>2</sup>house



PPS account and subscriptions will be debited from the ~~house collateral account~~ [House Collateral Account](#).

**3.7.2.1.9.2 *Default Fund Contributions: Commodities, Equities and Listed Interest Rates***

This Section [3.7.1.9.2](#) applies to Commodities Contributions, Equities Contributions and Listed Interest Rate Contributions (“**Relevant Contributions**”).

Relevant Contributions will be called via PPS on the fourth working day of each month or more frequently pursuant to a determination of the Relevant Contribution under the applicable Supplement (each a “**Reset Day**”). Relevant Contribution requirements will be notified to Clearing Members at least two working days prior to each Reset Day on the report available on the Member website named “Member Default Fund” (REP000032).

Clearing Members will be repaid via PPS any excess Relevant Contribution amounts on the Reset Day immediately following the determination of the Relevant Contribution.

The Clearing House will, from time to time, notify Clearing Members of the rate of interest that will apply to a Relevant Contribution. Interest on Relevant Contributions will be paid to Clearing Members’ PPS accounts on the first working day after the Reset Day following the end of the relevant “interest accrual period”. Interest is calculated in respect of each “interest accrual period”, which commences on (and includes) a Reset Day and ends on (and includes) the calendar day immediately before the next Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on Relevant Contributions is negative, interest shall be payable by Clearing Members to the Clearing House.

**3.7.3.1.9.3 *Loss Distribution Charges: Commodities, Equities and Listed Interest Rates***

This Section [3.7.1.9.3](#) applies to Loss Distribution Charges called by the Clearing House under the Commodities Default Fund Supplement, the Equities Default Fund Supplement and/or the Listed Interest Rate Default Fund Supplement (each a “**Relevant Supplement**”).

Loss Distribution Charges called under Rule [\[8\]](#) of the Relevant Supplement shall be called via PPS in the same currency as a Clearing Member’s Relevant Contribution.

**3.7.4.1.9.4 *Default Fund Contributions: RepoClear, SwapClear and ForexClear***

Provisions relating to RepoClear Contributions, SwapClear Contributions and ForexClear Contributions are set out in Section 2B (RepoClear), Section 2C (SwapClear) and Section 2I (ForexClear) of the Procedures, respectively.

Clearing House Procedures Financial Transactions

## **APPENDIX 3A**

### **1.10 Clearing House Reporting**

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a Contract and any modification or termination of such a Contract without duplication and no later than the working day following the conclusion, modification or termination of such Contract, in line with the requirements of applicable law.

**SCHEDULE 1**

**LCH.CLEARNET ~~BANK ACCOUNTS~~ BANK ACCOUNTS IN HONG KONG**

Note:    accounts are operated in USD only.

The Clearing Member will be mandated to hold an account with one of the following banks in order to facilitate margin calls during the Hong Kong day for certain markets.

When requested the Clearing Member must make a payment to the Clearing House's account at the same bank.

<b>Clearing House bank in Hong Kong</b>	<b>LCH.Clearnet account details to which payments must be made.</b>
Bank of America NA	84936018
Citibank NA	1168383025
HSBC Ltd	808 692818 201

For more information on Hong Kong PPS Banks please contact LCH.Clearnet Limited Treasury Operations on +44 (0)20 7426 7505 or [lehoperations-treasury@lchclearnet.com](mailto:lehoperations-treasury@lchclearnet.com) [lchoperations-treasury@lchclearnet.com](mailto:lchoperations-treasury@lchclearnet.com).

**SECTION 4**

**CONTENTS**



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 4**

**MARGIN AND COLLATERAL**

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## CONTENTS

<u>Section</u>	<u>Page</u>
<del>4. COLLATERAL</del> .....	<del>1</del>
<del>4.1 General Information</del> .....	<del>1</del>
<del>4.2 Documentation</del> .....	<del>4</del>
<del>4.3 Instructions via CMS</del> .....	<del>5</del>
<del>4.4 Settlement Procedures – Securities provided on a bilateral basis</del> .....	<del>6</del>
<del>4.5 Tax Arrangements</del> .....	<del>8</del>
<del>4.6 References</del> .....	<del>10</del>
<del>4.7 Contingency Arrangements</del> .....	<del>10</del>
<del>4.8 Triparty Service with Euroclear, Clearstream and BNY Mellon</del> .....	<del>10</del>
<del>4.9 Precious Metals</del> .....	<del>12</del>
<del>APPENDIX 4C</del> .....	<del>17</del>
<del>Client Consent Form</del> .....	<del>17</del>
<del>APPENDIX 4DF</del> .....	<del>18</del>
<del>Contingency Member Triparty Lodgement Form</del> .....	<del>18</del>
<del>APPENDIX 4EG</del> .....	<del>19</del>
<del>Contingency Member Triparty Amendment Form</del> .....	<del>19</del>
<del>APPENDIX 4FH</del> .....	<del>20</del>
<del>Contingency Member Triparty Closing Form</del> .....	<del>20</del>
<del>APPENDIX 4G</del> .....	<del>21</del>
<del>Contingency Member Triparty Lodgement Form</del> .....	<del>21</del>
<del>APPENDIX 4H</del> .....	<del>22</del>
<del>Contingency Member Triparty Amendment Form</del> .....	<del>22</del>
<del>APPENDIX 4I</del> .....	<del>23</del>
<del>Contingency Member Triparty Closing Form</del> .....	<del>23</del>
<del>APPENDIX 4J</del> .....	<del>24</del>
<del>Contingency Collateral Lodgement Form</del> .....	<del>24</del>
<del>APPENDIX 4k</del> .....	<del>25</del>
<del>contingency Collateral Release Form</del> .....	<del>25</del>
<del>Appendix 4l</del> .....	<del>26</del>
<del>LCH.CLEARNET ACCOUNTS FOR DELIVERY OF Margin Collateral excluding FCM client</del> .....	<del>26</del>
<del>APPENDIX 4M</del> .....	<del>27</del>
<del>PRECIOUS METAL COLLATERAL LODGEMENT FORM</del> .....	<del>27</del>
<del>APPENDIX 4N</del> .....	<del>28</del>

<u>1. Collateral .....</u>	<u>1</u>
<u>1.1 General Information .....</u>	<u>1</u>
<u>1.2 Documentation .....</u>	<u>5</u>
<u>1.3 Instructions via CMS .....</u>	<u>7</u>
<u>1.4 Settlement Procedures – Securities provided on a bilateral basis .....</u>	<u>7</u>
<u>1.5 [Tax Arrangements .....</u>	<u>9</u>
<u>1.6 References .....</u>	<u>11</u>
<u>1.7 Contingency Arrangements .....</u>	<u>12</u>
<u>1.8 Triparty Service with Euroclear, Clearstream and BNY Mellon .....</u>	<u>12</u>
<u>1.9 Gold .....</u>	<u>14</u>
<u>1.10 Client Excess Spreadsheet .....</u>	<u>17</u>
<u>1.11 SwapClear Intra-Day Margin Call: Collateral Management .....</u>	<u>17</u>
<u>Schedule 1 Client Consent Form .....</u>	<u>23</u>
<u>Schedule 2 Clearing House Prescribed Language .....</u>	<u>24</u>
<u>Schedule 3 Cleared Trade Removal Agreement .....</u>	<u>28</u>
<u>Schedule A The Registered Contracts .....</u>	<u>32</u>
<u>Schedule 4 Contingency Member Triparty Lodgement Form .....</u>	<u>33</u>
<u>Schedule 5 Contingency Member Triparty Amendment Form .....</u>	<u>34</u>
<u>Schedule 6 Contingency Member Triparty Closing Form .....</u>	<u>35</u>
<u>Schedule 7 Contingency Member Triparty Lodgement Form .....</u>	<u>36</u>
<u>Schedule 8 Contingency Member Triparty Amendment Form .....</u>	<u>37</u>
<u>Schedule 9 Contingency Member Triparty Closing Form .....</u>	<u>38</u>
<u>Schedule 10 Contingency Member Triparty Lodgement Form .....</u>	<u>39</u>
<u>Schedule 11 Contingency Member Triparty Amendment Form .....</u>	<u>40</u>
<u>Schedule 12 Contingency Member Triparty Closing Form .....</u>	<u>41</u>
<u>Schedule 13 Contingency Collateral Lodgement Form .....</u>	<u>42</u>
<u>Schedule 14 Contingency Collateral Release Form .....</u>	<u>44</u>
<u>Schedule 15 LCH.Cleernet Accounts for Delivery of Margin Collateral Excluding FCM client .....</u>	<u>45</u>
<u>Schedule 16 Gold Collateral Lodgement Form .....</u>	<u>46</u>
<u>Schedule 17 Gold Collateral Release Form .....</u>	<u>47</u>
<u>Schedule 18 Client Excess Spreadsheet, Appendix .....</u>	<u>48</u>
<u>Schedule 19 Intra-Day House Cash Excess Transfer Form .....</u>	<u>49</u>

Collateral



~~COLLATERAL~~1.4.1.1 General Information

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as Collateral and to determine when collateral will cease to be acceptable as Collateral.

If any instrument or security, lodged in accordance with any of the following ~~p~~Procedures, is in any way found to be unacceptable, it will immediately be given a zero value for the purposes of calculating the value of ~~the Clearing Member Current Collateral Balance (the "Current Collateral Value") in respect of the relevant Clearing Member.~~ Replacement Collateral may be required immediately from the Clearing Member.

4.1.1.1.1 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash, securities and triparty ~~e~~Collateral via the online Collateral Management System ("CMS"). ~~Instructions for other types of Collateral must be sent via fax using the appropriate form in the annex.~~ Schedules. The lodgement/release forms must be sent in by fax and email to:

Email to: [collateral.ops.uk@lehelearnet.com](mailto:collateral.ops.uk@lehelearnet.com)

Email to: [collateral.ops.uk@lchclearnet.com](mailto:collateral.ops.uk@lchclearnet.com)

Fax: [+44 \(0\)20 7375 3518](tel:+442073753518)

Collateral ~~Operations~~ can be contacted on [+44 \(0\)20 7426 7593](tel:+442074267593).

~~Originals of faxed instructions need to be sent into the Clearing House within fourteen days.~~

The Clearing House is entitled to act upon CMS ~~instructions~~ and faxed instructions or communications appearing to have been issued by, on behalf of, or to have come from, a Clearing Member. ~~These will be accepted by the Clearing House as genuine, even if, for example, they are later found:~~

(a) to be inaccurate, whether in whole or in part; or

(b) not to have been given by the Clearing Member or a client or with the authority of the Clearing Member or client.

The Clearing House will only accept delivery of non-cash Collateral in accordance with these ~~p~~Procedures, and will not sell or purchase or ~~en~~cash cash or non-cash Collateral for Clearing Members, except in so far as it is acting under its Default Rules and related Regulations or in relation to Exchange Rules.

The Clearing House reserves the right to require a Clearing Member to execute revised versions of the Form of Charge and Client Consent documentation whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

The Clearing House reserves the right to change the information required on instructions received via the CMS, whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

#### 4.1.2 1.1.2 Excess Collateral

The Clearing House shall, at least once on each business day, notify each Clearing Member of ~~its~~ the Required Margin Amount and the Total Required Margin Amount.

If a Clearing Member's Current Collateral Value exceeds the sum of that Clearing Member's Total Required Margin Amount and any other amounts which the Clearing Member is required to transfer to the Clearing House under applicable law or regulation (such excess being referred to in this ~~Rule 4.1.2~~ Section 1.1.2 as the "**excess collateral value**"), then that Clearing Member may, in accordance with ~~Rules 4.3 and 4.4~~ Sections 1.3 and 1.4 of the Procedures, request that some or all of the Collateral comprising its Clearing Member Current Collateral Balance having a value not exceeding the excess collateral value (such Collateral being referred to in this ~~Rule 4.1.2~~ Section 1.1.2 as "**excess collateral**") be returned or repaid by the Clearing House to, or to the order of, that Clearing Member.

In the event that the Clearing House expressly notifies the Clearing Member ~~that it has an~~ of a positive excess collateral value and that the Clearing House intends ~~to~~ levy a charge in respect of ~~that~~ the excess collateral with effect from a date notified in ~~that~~ notification, and the Clearing Member does not make a request for the return of the excess collateral before the date so notified, the Clearing House may, in its discretion but only from the date so notified, charge the Clearing Member in respect of any such excess collateral at the rate of 1 basis point per day until the excess collateral is eliminated. ~~Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS sterling account.~~

If the Clearing House has received a request to return excess collateral, the Clearing House shall promptly take such steps as are necessary in accordance with ~~Rule 4.4~~ Section 1.4 of the Procedures to transfer the amount of excess collateral specified in that request to or to the order of the relevant Clearing Member in respect of each account held by the Clearing Member with the Clearing House, provided that (i) the Clearing House shall only be obliged to take such steps with respect to any Collateral pursuant to this ~~Rule 4.1.2~~ Section 1.1.2 to the extent that it constitutes excess collateral and (ii) where the Clearing Member has requested that Collateral of a particular type in respect of an account be transferred, the Clearing House shall transfer such Collateral unless it determines, acting in a commercially reasonable manner, that transferring such Collateral would result in the Clearing House being unable to satisfy its policies on concentration limits in respect of the various types of Collateral held by it from time to time, in which case it shall transfer Collateral of a different type which has the same value as the requested Collateral and which, in the case of non-cash Collateral, has been transferred to the Clearing House by that Clearing Member in respect of that particular account.

Whether or not an excess collateral value exists in respect of an account of a Clearing Member, a Clearing Member may request that any cash ~~Collateral~~ amounts that ~~is~~ are subject to the ~~Deed of Charge to which that charge~~ as prescribed by the Clearing ~~Member is a party~~ House from time to time and published on the Clearing House's website (such as, for example, interest payments received in connection with non-cash Collateral) be released from such charge and transferred to the Clearing House to be held as cash Collateral in respect of an account of that Clearing Member (a "Cash Transfer Request").

If the Clearing House has received a Cash Transfer Request, the Clearing House may, in its sole discretion, release the cash amount to which that Cash Transfer Request relates from the charge ~~referred to in Rule 4.2.1~~ as prescribed by the Clearing House from time to time and published on the Clearing House's website and treat that cash as having been transferred to the Clearing House by the relevant Clearing Member as cash Collateral in respect of the relevant account.

#### ~~4.1.3~~ 1.1.3 Substitution of non-cash Collateral

At any time, a Clearing Member may notify the Clearing House in accordance with ~~Rules 4.3~~ Sections 1.3 and ~~4.4~~ 1.4 of the Procedures that it wishes to substitute any non-cash Collateral ~~that in respect of an account which~~ is subject to the ~~Deed of Charge~~ charge referred to which that Clearing Member is a party in Section 1.2.1 of the Procedures (the "Original Collateral") ~~for~~ with replacement Collateral in respect of such account having a value not less than the Original Collateral (the "New Collateral") (such request being a "Substitution Request").

If the Clearing House has received a Substitution Request, it shall, promptly following the Clearing House being satisfied that the New Collateral has been transferred ~~or paid~~ to the Clearing House in accordance with ~~Rules 4.3~~ Section 1.3 and ~~4.4~~ 1.4, take such steps as are necessary to transfer such Original Collateral to or to the order of the Clearing Member in respect of that particular account, provided that, if the Clearing House determines, acting in a commercially reasonable manner, that following such substitution, the Clearing House would be unable to satisfy its policies on concentration limits in respect of the various types of Collateral held by it from time to time, it shall notify the Clearing Member thereof and shall not be obliged to transfer the Original Collateral. If a Substitution Request is rejected, any New Collateral already transferred to the Clearing House in connection with that request shall be returned to the relevant Clearing Member as soon as reasonably practicable and in any case no later than two business days from the rejection of the relevant Substitution Request.

#### ~~4.1.4~~ 1.1.4 Lodgement of Non-Cash non-cash Collateral as R replacement for € cash Collateral

Clearing Members should note that they must give Treasury Operations no less than two ~~(2)~~ business days' notice of their intention to transfer ~~non-cash Collateral~~ to the Clearing House non-cash Collateral with a value of £50

million sterling or more, and which is reasonably likely to have the effect that cash Collateral of a similar value is repayable by the Clearing House to that Clearing Member as a result of such transfer.- Treasury Operations must be advised no later than 15:30 two business days prior to the transfer.- In the event that a Clearing Member requests the return of such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice period or vary the minimum Collateral value by written notice to Clearing Members.

#### 4.1.51.1.5 Force Majeure

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members with regard to non-cash Collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as (but not limited to) the failure (whether partial or total), interruption or suspension of any Collateral Agent, depository or custodian or other service (~~“(“depository”)~~) that the Clearing House is using; the termination or suspension of the Clearing House’s membership or use of the depository or any variation of the depository’s operational timetable, whether or not occasioned by action of the depository operator or any other party; or any embargo, unavailability or restriction of bank transfer systems or wires; malfunction or overload of the depository; or any other emergency.- This provision is without prejudice to the *force majeure* provisions of Clearing Members’ agreements with the Clearing House.

#### 4.1.61.1.6 Regulatory and Supervisory Information

In every case, the Clearing House will be entitled to supply a depository or Collateral Agent with all the information it requires for any purposes relating to a Clearing Member, or relating to non-cash Collateral received by the Clearing House from a Clearing Member which is, or may at any time have been held by the depository or Collateral Agent.- Non-cash Collateral will be lodged and held ~~with~~ such depository or other systems as the Clearing House may select or allow, subject to the conditions of such systems ~~and~~ to any applicable law and subordinate rules relating thereto, as well as to the terms of the ~~Deed~~Clearing House’s Form of Charge and charge documentation and these ~~p~~Procedures.

#### 4.1.71.1.7 Interest Payments (coupons)

The Clearing House will remit interest amounts, taking into account any withheld tax, to Clearing Members’ PPS banks on the appropriate value date. ~~These are processed using “Tender” sub-accounts designated “I” for house or “L” for segregated client, except where such Clearing Member is a Defaulter.~~

Any payment made under this Section 1.1.7 is processed using "Tender" ledgers designated "I" for Proprietary Accounts or "L" for Client Accounts.

#### 4.1.81.1.8 *Other Charges*

The Clearing House will collect any other charges incurred as deemed necessary using PPS. Examples of such charges may include a Collateral Agent's overnight custody charge, transfer charges or any charges relating to the movement of non-cash Collateral. For a list of the Clearing House's Custody services fees, please refer to, <http://www.lchclearnet.com/fees/ltd/default.asp>  
<http://www.lchclearnet.com/fees/ltd/default.asp>.

#### 4.1.91.1.9 *Insurance*

It is the Clearing Member's responsibility to have appropriate insurance for any Collateral in the form of ~~a precious metal held~~[gold lodged](#) with the Clearing House.

### 4.2.1.2 Documentation

#### 4.2.11.2.1 *DeedForm of Charge*

Clearing Members wishing to transfer ~~non-cash~~ Collateral to the Clearing House must ~~first~~ complete and maintain a DeedForm of Charge ~~document for the relevant type of Collateral, e.g. securities or gold~~. This document establishes a fixed charge over the Clearing Member's interests pursuant to the custody relationship which arises upon ~~specified~~ non-cash Collateral being transferred into an account with the Clearing House by the Clearing Member. ~~The document is required to be executed in accordance with the instructions which accompany it. The DeedForm of Charge document covers non-cash Collateral that is transferred to the Clearing House via bilateral settlement, Precious Metals Settlement Agents~~[gold settlement agents](#) or via triparty arrangements. ~~For triparty arrangements using US domiciled custodians an equivalent to the DeedForm of Charge is incorporated within the relevant triparty agreement documentation. To operate triparty arrangements with the Clearing House an additional Collateral Services Agreement (or equivalent) must also be executed with the relevant triparty provider.~~

~~The Deed of Charge~~ documentation is available from the Clearing House Risk Department and should be returned on completion to that ~~Department~~department. Where a Clearing Member transfers Collateral to the Clearing House to cover both a Proprietary Account and a Client Account it must execute two separate Deeds of Charge.

#### 4.2.21.2.2 *Segregation Rules*

~~Where a Clearing Member transfers non-cash Collateral to cover both house and client accounts it must execute two separate Deeds of Charge.~~ Forms[Instructions](#) relating to transfers and requests for the return of Collateral must indicate the particular account to which they relate. ~~Any non-cash~~ Collateral transferred to ~~the~~ Clearing House will be applied against the Clearing Member's (proprietary ~~or~~ client) margin liabilities as per the relevant documentation.

~~Non-cash~~ Collateral transferred to the Clearing House ~~in respect of a Clearing Member's client account~~ Member's Client Account will not be applied by the Clearing House to his liabilities on a Proprietary Account ~~–(see regulation 5Regulation 10(d))-(Accounts)) or on another Client Account.~~

~~Non-cash~~ Collateral transferred to the Clearing House ~~in respect of a Clearing Member's Proprietary Account~~ ~~–~~ may be applied by the Clearing House towards the discharge payment of any sum whatsoever ~~which is secured due~~ by the relevant Deed of Charge, Clearing Member to the Clearing House, save that no Collateral (other than House Excess) ~~charged in respect of a Clearing Member's Proprietary Account~~ shall be applied on or towards payment or satisfaction of any of the Clearing Member's liabilities to the Clearing House on any of the Clearing ~~Member's client accounts~~ Member's Client Accounts.

#### 4.2.3 1.2.3 Clearing Client Collateral

Where a Clearing Member wishes to transfer a ~~client's non-cash~~ Clearing Client's Collateral to the Clearing House, the Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the ~~client~~ Clearing Client that the Clearing Member may charge the ~~non-cash~~ Collateral to the Clearing House, on the Clearing House's terms and free of the ~~client's~~ Clearing Client's or ~~other owner's~~ another owner's interest, to secure the Clearing Member's obligations to the Clearing House.

Where a ~~client's non-cash~~ Clearing Client's Collateral is to be transferred to the Clearing House, the Clearing Member must ensure that a *Client Consent Form* is completed by the beneficial owner (see Appendix 4C). Schedule 1).

The Clearing House gives no undertaking that, on the default of a Clearing Member, it will not utilise ~~clients' non-cash~~ Clearing Clients' Collateral which has been transferred to it by a Clearing Member, before utilising any other form of Collateral the Clearing House may hold.

~~Clause 8~~ Section 7 of the Deed of Charge ~~charge~~ prohibits the existence of any other charge or security interest, whether created before or after the Clearing House's interest, without the Clearing House's prior written consent (except a deferred charge in favour of the Clearing Member himself). ~~–~~ The Clearing House consents to certain such other charges as follows.

Where a Clearing Member accepts business from a non-clearing broker and transfers to the Clearing House, as Collateral, securities belonging to a client of that broker with the client's express agreement, ~~clause 8~~ Section 7(2) of the Deed of Charge will allow the Clearing Member to have a security interest in the securities deferred to that of the Clearing House. ~~–~~ In addition, by the notification issued under ~~clause 8~~ (2) Section 7(1) of the Deed of Charge, the Clearing House consents to the non-clearing broker also obtaining or retaining a security interest in the same securities, **provided always that:**

- (a) (i) the broker's interest is expressly deferred to that of the Clearing House;
- and



~~(b)~~(ii) the broker is an authorised person within the meaning of the Financial Services and Markets Act 2000.

The consent given above allows a security interest only in favour of a broker from whom a Clearing Member accepts business. -Where there is a chain of transactions involving other brokers, those other brokers may not hold security interests in reliance on this notification. -If such brokers wish to hold security interests in Collateral transferred to the Clearing House, the Clearing Member should apply to the Clearing House under ~~clause 8~~Section 7(1) (ii) of the Deed of Charge for written consent in the ~~it~~ particular case.

**Clearing Members are warned that the taking of Collateral is a complex legal matter. These ~~p~~ Procedures, and any communication with the Clearing House, whether of an oral or written nature, are not to be taken as containing legal advice. A Clearing Member or broker who contemplates taking an interest in securities belonging to a client should seek independent professional advice on the matter.**

#### 4.31.3 Instructions via CMS

Instructions for cash, securities and triparty ~~instructions~~Collateral may be entered using the CMS. The Clearing House will action instructions that have been input and authorised via the CMS. -The details input on the CMS will form the basis of the matching instruction sent to the relevant CSD/custodian. -Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and ~~then to~~ subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, (please see ~~section 4.4.7~~ refer to Section 1.4.7 below for further details-).

The Clearing House will update the status of the instruction in the CMS in relation to the status of the instruction at the CSD/Custodian. -On settlement of the transaction the Clearing House will reflect the balance of the securities on the relevant account of the Clearing ~~Member's account~~ Member and take them into account- for the purposes of calculating the Clearing Member's Current Collateral Value.

The Clearing House will notify Clearing Members of the relevant account details for matching. -Clearing Members should refer to ~~Appendix 4~~Schedule 9 to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses to Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a CSD/custodian or the Clearing Member (save for any liability which ~~by law~~ may not be excluded by law).

**4.4.1.4 Settlement Procedures – Securities provided on a bilateral basis**

All transactions to transfer securities Collateral to or -from the Clearing House will be executed free of payment.

**4.4.1.4.1 Instruction Deadlines**

Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday – to Friday 08:00 – 21:00hrs UK time.

Instruction deadlines for same day settlement:

<b>CSD/custodian</b>	<b>Deadline for instructions (UK time)</b>
Euroclear UK/IE (CREST)	14.00
Euroclear internal	17:00
Fedwire - Citi and BNYMellon	19:00

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

**4.4.2 1.4.2 Deliveries to and from Local Markets**

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian. Clearing Members should refer to the relevant CSD/custodian for these deadlines. – Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (i.e. on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

<b>Deliveries from Local Market</b>	<b>Custodian Deadline</b>	<b>Instruction Deadline to Clearing House (UK time)</b>
Japan	05:55	17:00 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S



4.4.31.4.3 *Transfer of Securities to the Clearing House*

Instructions for the transfer of securities to the Clearing House must be input via the CMS prior to the deadlines above for same day settlement. -Settled transactions will be taken into account for the purposes of calculating the Clearing Member's Current Collateral Value following settlement.

Transfer instructions for future settlement dates will be instructed same day if received prior to the deadlines. -Instructions received after the deadlines will be instructed the following day.

4.4.41.4.4 *Transfer of Securities from the Clearing House*4.4.4.1(a) *Release where Sufficient Collateral is Available*

Instructions to ~~transfer any~~release existing securities Collateral ~~comprised in the Clearing Member Current Collateral Balance in respect of a Clearing Member to that Clearing Member~~input via the CMS prior to the deadlines above for same day settlement will be actioned ~~(subject to Rule 4.1.2) on confirmation of~~and the Collateral specified in those instructions ~~by the Clearing House and, once transferred, the relevant Collateral~~ will no longer be included when calculating the Clearing Member's Current Collateral Value ~~(in each case subject to Section 1.1.2) on confirmation of those instructions by the Clearing House.~~

4.4.4.2(b) *Release where Sufficient Collateral is Unavailable*

Instructions to ~~transfer any~~release existing securities Collateral ~~comprised in the Clearing Member Current Collateral Balance in respect of a Clearing Member to that Clearing Member~~ must be input via the CMS before 09:30 UK time. -The Clearing Member will then be requested ~~for~~to transfer additional cash Collateral.- Following confirmation of ~~receipt of the requested cash Collateral~~call, the settlement instruction will ~~(, subject to Rule 4.1.2) Section 1.1.2,~~ be sent to the CSD/custodian by the Clearing House; and the Collateral specified in those instructions will ~~(, subject to Rule 4.1.2) be transferred to that Clearing Member and, once transferred, will~~Section 1.1.2, no longer be included when calculating the Clearing Member's Current Collateral Value.

4.4.51.4.5 *Substitutions*

Substitution instructions may be input via the CMS, and will, subject to Rule 4.1.3Section 1.1.3 and to confirmation of those instructions by the Clearing House, be actioned on the same day if input prior to the deadlines above.

Clearing Member<sup>2</sup>s must first input the relevant lodge instruction(s) ~~first~~ and then link the associated release instruction(s) to the lodge instruction(s).

4.4.6 1.4.6 Transfers

Transfer instructions may be input via the CMS and will be actioned on the same day during operational hours.

Note: transfers are only permitted between mnemonics of the same Clearing Member and are subject to client segregation rules.

4.4.7 1.4.7 Settlement Cancellations

Clearing Members may request the cancellation of an instruction via the CMS. The Clearing House will cancel any instruction that has not yet been processed. - The Clearing House will seek, using its best endeavours to cancel any settlement instructions already sent to the CSD/custodian but cannot guarantee that the transaction will not settle.

4.4.8 1.4.8 Instruction Statuses

The status of an instruction can be monitored via the CMS. -Statuses reflect the status of the instruction at the Clearing House and not at the CSD/custodian. -Please refer to the CMS User Guide for status definitions.

4.5 1.5 Tax Arrangements4.5.1 1.5.1 US Securities

For tax reasons, the Clearing House is required to segregate foreign (i.e. non-US) owners<sup>2</sup>; securities from US owners<sup>2</sup>; securities. - Clearing Members must deliver securities to the correct account. -The Clearing House operates accounts with Citibank N.A. and Bank of New York Mellon. - See annex 4I for account details.

In order to reduce or to eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. - To this end, Clearing Members will be expected to provide one of the forms noted below to the Clearing House. -A current form will be required for each owner (i.e. the Clearing Member or the person named in the Client Consent Form).

The relevant forms will normally be one of:

(a) WW-9 (Request for Taxpayer Identification Number and Certification)<sup>2</sup>; which applies to a US corporation including a foreign branch of a US corporation and is valid indefinitely; or

WW-8BEN (Certificate of Foreign Status)<sup>2</sup>

(b) ;; which applies to non-resident alien individuals, foreign corporations, partnerships and estates; and ~~is~~

(~~b~~)(c) valid for three calendar years.

Clearing Members may obtain originals of forms W-8BEN and W-9 from Treasury Operations.

**Note:** The Clearing House's arrangements with its custodians only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. -Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Treasury Operations.

Unless the Clearing House has already received the appropriate tax form, transfers into A/c #090401 or #735136 must be accompanied by form W-9 and transfers into A/c #090372 or #735137 normally by form W-8BEN.

**The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation.- Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.**

Completed tax forms should be returned to Treasury Operations for onward transmission to the Custodians.

#### 4.5.2 1.5.2 *Italian Securities*

For tax purposes the Clearing House operates an account with Euroclear Bank specifically for deliveries of Italian securities – account 91737.

This account is operated by the Clearing House in accordance with "Euroclear Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities".

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

- (a) resident in a country that has entered into a double taxation agreement with Italy (except black list countries/countries that do not have a tax treaty with Italy); or
- (b) a corporation resident in Italy; or
- (c) a supranational organisation recognised by Italian law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility ~~of~~to the exemption, and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from the Treasury Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within the gross account 91737.

The effective date depends on the type and terms of the security:

- 4.5.3 Coupon debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

- 4.5.3 Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

**Clearing Members should consult their own tax advisers before lodging Collateral to the Clearing House or submitting any tax documentation.**

#### 4.5.3 1.5.3 Withholding tax – CSDs/Custodians

CSDs/custodians may offer a recovery service for overseas taxes on ~~Government Bonds~~ government bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any relevant recovery in withholding tax credited to the Clearing House's<sup>2</sup> account by CSDs/custodians.

In certain cases the CSDs/eCustodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with ~~either~~ CSDs/Custodian and the Clearing House at the time when a coupon is due.<sup>1</sup>

#### 4.6 1.6 References

These procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. ~~Please also refer~~ to each CSD/eCustodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

#### 4.7 1.7 Contingency Arrangements

In the event of an outage of the CMS, Clearing Members will be able to send instructions by fax to the Clearing House.

Clearing Members<sup>s</sup> will be notified of a CMS outage via the Member Circular that will notify Clearing Members of the switch to contingency arrangements. ~~Clearing m~~ Members should then revert to the fax forms for securities found in the ~~annex~~ Schedule.

Normal service hours and deadlines will apply to faxed instructions.

Clearing Members will be notified via the Member Circular when normal service resumes.

<sup>1</sup> [LCH to consider and confirm internally whether these tax-related provisions are up-to-date or need amending.](#)

### 4.8.1.8 Triparty Service with Euroclear, Clearstream and BNY Mellon

#### 4.8.1.8.1 General Information

In order to transfer securities at the Clearing House using a triparty arrangement, Clearing Members, the relevant triparty agent and the Clearing House must have completed and signed the relevant documentation.- Please contact Treasury Operations on +44 (0)207 426 7237 for more information.

Clearing Members may execute a "Triparty<sup>2</sup>" trade denominated in Euro, Sterling or United States Dollars to cover initial margin requirements at the Clearing House.- Triparty instructions must be provided to the Clearing House via the CMS.

Instructions for Euroclear Bank and Clearstream may be input for future settlement dates. Instructions with BNY Mellon must be for same day settlement.

The Clearing House supports triparty arrangements at BNY Mellon using their US domestic platform and only for US eligible securities.

Under the triparty arrangement, beneficial ownership for all securities must belong to the ~~clearing member~~ Clearing Member.

In the event that Clearing Members are unable to make triparty instructions via the Collateral Management System (CMS), it will be possible to instruct using the relevant triparty contingency forms found in the appendices of this section.

~~The Clearing House recommends the Clearing Members prioritise Clearing House trades avoiding any calls for cash Collateral. Calls for cash Collateral in relation to deficits will be made on a separate buffer account within the Clearing House, this account will be set up for automatic repayment and will be interest bearing.~~

Triparty transactions must be a minimum of one million GBP, EUR or USD.

**Note:** In these procedures, "S" refers to the settlement day, "and "S-1" to the working day before the settlement day.

#### 4.8.2.1.8.2 Lodgement and Increase Procedure

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	16.30	16.30	22.30
Next day settlement	16.30 (S-1)	16.30 (S-1)	N/A

4.8.3 1.8.3 Decrease and Closing Procedure

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	16.30	16.30	22.30
Next day settlement	16.30 (S-1)	16.30 (S-1)	N/A

## Sufficient Collateral:

Where the Clearing Member has sufficient Collateral available, the release or closure of the triparty transaction will be processed on the same day and the reduction will be taken into account for the purpose of calculating the ~~Member's~~ Clearing Member's Current Collateral Value.

## Insufficient Collateral:

Where the Clearing Member has insufficient Collateral to release the triparty transaction, the Clearing Member's Current Collateral Value will be deemed to be decreased overnight. The following morning the Clearing House will only release the triparty transaction after 09.00 when any PPS cash calls have been confirmed.

## Triparty deficits:

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities ~~furnished~~ provided or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation to shortfalls will be called in accordance with ~~section 3.2 of these procedures~~ paragraph 1.3 (Protected Payments System (PPS)) of Section 3 of the Procedures (Financial Transactions) and held in a separate account. Such cash shall either be credited to the Clearing Member upon the Clearing Member making good the deficit pursuant to the triparty arrangement or retained as ~~cover~~ Collateral if the Clearing Member does not make good the deficit.

## Precious Metals

### 1.9 Gold

#### 4.9.1.1.9.1 General information

Only Clearing Members who have been approved to clear LCH EnClear OTC Contracts in the Precious Metals Division [and/or HKMEx Service Clearing Members] are eligible to provide ~~Precious Metals~~gold as Collateral to cover liabilities.

Clearing Members may ~~lodge Precious Metals~~transfer gold to the Clearing House in unallocated form via a London Precious Metals Clearing Ltd (LPMCL) Clearing Member (referred to as "Collateral Agents" in this ~~p~~Procedure) by transferring it to the following LCH.Clearnet Ltd Unallocated Precious Metals account:

- Barclays Bank plc (SWIFT BARCGB22PMD)
- a/c LCH Collateral Account
- a/c 32989

Once the Clearing House has converted it into allocated form, the ~~Precious Metals~~gold can ~~then~~ be used as Collateral. ~~The Clearing House Collateral Agent may allocate the Precious Metals gold to more than one vault and the value of the Precious Metals gold shall be determined by the Clearing House upon allocation.~~

In these procedures, "S" refers to the settlement day, "S-1" to the business day prior to the settlement day, "S+1" to the business day after the settlement day.

This service will not be operational on UK ~~Bank Holidays~~bank holidays.

Please refer ~~Appendix 4M~~to Schedule 13 and ~~4N14~~ for information on Lodgement and Release forms.

#### 4.9.2.1.9.2 Lodgement Procedure

The Clearing Member should complete a separate Lodgement Form for each transfer of ~~a precious metal~~gold to the Clearing House.

#### 4.9.3.1.9.3 Lodgement Form submitted on S

(a) By 11:00 hours (London time) on ~~S~~

The Clearing Member must submit to the Clearing House a completed Lodgement Form ~~(Appendix 4M)~~(Schedule 16) and ensure that a "pay" transfer instruction has been given to its Collateral Agent to

<sup>2</sup> To be deleted upon termination of HKMEx Service (if service is terminated)

credit the Clearing House's Unallocated Precious Metals account with its Collateral Agent.

Lodgement forms will not be accepted after 11:00 hours (London time) on S for lodgement that day.

(b) By 16:00 hours-

If the lodgement is approved, the Clearing House will enter an unallocated ~~precious-metals~~gold transfer instruction to the Clearing House Collateral Agents to receive the ~~Unallocated-Precious Metal~~unallocated gold.

Upon approval of the lodgement it is the Clearing Member's responsibility to ensure that its Collateral Agent has entered a transfer instruction to pay the Clearing House.

The cut off time to match the unallocated gold bullion is 16:00 hours.

If the Clearing Member's transfer instruction fails to match the Clearing House's transfer instruction by 16:00, the Clearing House will withdraw its transfer instruction.

(c) Once the transfer instructions have been matched and the Precious Metalgold credited to the Clearing House's account, its Collateral Agent will, by the end of the day, allocate the Precious-Metalgold.

Only upon completion of the allocation of the ~~precious-metal~~gold will value be given overnight, so that the ~~precious-metal~~gold will be taken into account for calculating the Clearing Member's Current Collateral Value on the following business day.

4.9.41.9.4 Release Procedure

The Clearing Member should complete a separate Release Form for each request for a transfer of ~~precious-metals~~gold from the Clearing House.

4.9.4.1(a) Release Form submitted on S-1

(a)(i) By 15:30 hours (London time) the day prior to the release date (S-1), the Clearing Member must submit to Treasury Operations a completed Release Form (Appendix 4N)(Schedule 17) and ensure that a "receipt" transfer instruction has been given to its Collateral Agent to receive Precious-Metalgold from the Clearing House's Unallocated Precious Metals account for the next value date (S+).



~~(b)~~(ii) The Clearing House will adjust the calculation of the Clearing Member's Current Collateral Value based on their utilisation:

~~(i)~~(A) Where the ~~Precious Metal~~gold is utilised to cover existing margin obligations, it may be released on S, **provided that:**

- • The Clearing Member has submitted a completed Release Form to the ~~€~~Collateral teams by 15:30 hours S-1 day; and
- • The Clearing House has received confirmation of any PPS ~~€~~calls for ~~cover~~Collateral from the PPS ~~B~~anks and that all calls are met on S at 09:00.

~~4.9.4.2~~(b) On S (~~R~~elease day)

~~(a)~~(i) After 09:00 when any necessary overnight margin liabilities have been met, the Clearing House will submit transfer instructions to its Collateral Agent to credit the ~~member's unallocated precious metals~~Member's Unallocated Precious Metals account on the basis of the details submitted in the Release ~~f~~Form.

~~(b)~~(ii) It is the Clearing Member's responsibility to ensure that its Collateral Agent matches this transfer as soon as possible.

~~(+)~~(iii) If Members fail to submit their transfer instructions and match with the Clearing House by 16:00, the ~~Unallocated Gold Bullion~~unallocated gold bullion will remain in the Clearing House's Unallocated Precious Metals account.

#### ~~4.9.5~~1.9.5 ~~Precious Metal~~Gold Substitutions

Clearing Members wishing to substitute their utilised ~~Precious Metal for~~gold with alternative Collateral types should follow the standard lodgement procedures for the new Collateral types. The new Collateral should be of equal or greater value than the ~~Precious Metal~~gold the Clearing Member is wishing to have returned to him. Following a successful lodgement of the alternative Collateral, the Clearing House will transfer the requested gold to the Clearing Member.

#### ~~4.9.6~~1.9.6 Deliveries

Clearing Members wishing to deliver for settlement ~~precious metals, gold~~ which ~~have~~has been transferred to the Clearing House as Collateral, ~~for a delivery~~ will have to release the ~~Precious Metals~~gold or perform a Collateral substitution (cash or non-cash), as set out above. Clearing Members must familiarise themselves with the various options available and the timings that must be adhered ~~to~~. Collateral Release Forms should be submitted ~~by~~at the

latest **by 15:30 hours (London time)** on the day prior to delivery and release. Failure to do so may result in the Clearing House being unable to release the ~~Precious Metal~~gold in order for the Clearing Member to make delivery.

#### ~~4.9.7~~1.9.7 Transfer and Custody ~~£~~Fees

Clearing Members remain liable for any transfer and custody fees owed on the allocated ~~precious metals~~gold held on the Clearing House account, as Collateral with the Clearing House.

The Clearing House will invoice the custody fees associated with holding and allocating the unallocated ~~precious metal~~gold to the Clearing ~~m~~Member on a quarterly basis together with the unallocated ~~precious metal~~gold transfer fees for both delivery and receipt.

The Clearing House invoices will be sent to ~~m~~Members each quarter and will be called by PPS on the next business day.

#### *Special cases*

#### ~~4.9.8.1~~1.9.8 - Suspension of Precious Metal:Gold

The Clearing House may choose to limit the acceptance of ~~certain types of Precious Metal gold as Collateral~~ from time to time as Collateral in respect of a Clearing Members's margin obligations at its discretion. Such limits may be based on ~~precious metal~~gold source, ~~type~~, location, brand or any other quality or characteristic that the Clearing House deems appropriate, which includes any characteristics of the Clearing Members themselves.

If necessary the Clearing House will post a notice of the suspension/rejection on its website and the same procedure with regards to calling Collateral ~~as per Collateral substitution~~pursuant to gold substitutions will be followed.

#### ~~Intraday margin calls~~

#### 1.10 Intraday Client Excess Spreadsheet

A SwapClear Clearing Member can transfer non-cash Client Excess in respect of a Client Account or request that the Clearing House calls Client Excess in the form of cash directly from the SwapClear Clearing Member.

The SwapClear Clearing Member is responsible for maintaining a record of the Client Excess held on behalf of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) or a group of Combined Omnibus Gross Segregated Clearing Clients (see Client Excess Spreadsheet, Schedule 18).

The Client Excess Spreadsheet submitted by a SwapClear Clearing Member to the Clearing House is the primary record of the Client Excess held on behalf of each Omnibus Gross Segregated Clearing Client or group of Combined Omnibus Gross Segregated Clearing Clients (as applicable) in an Omnibus Gross Segregated Account. A SwapClear Clearing Member must provide an updated version to the

Clearing House whenever Client Excess is utilised to discharge margin obligations relating to an Omnibus Gross Segregated Clearing Client in an Omnibus Gross Segregated Account.

### 1.11 SwapClear Intra-Day Margin ~~calls~~ Call: Collateral Management

For the avoidance of doubt, this Section 1.11 applies only in respect of the SwapClear Service.

#### 1.11.1 General – Intra-day Margining

Following an intra-day margin call and unless notified otherwise by a SwapClear Clearing Member at the time of an intra-day margin call, the Clearing House will ~~continue to be fulfilled using cash via~~ deduct cash, in the appropriate currency, directly from the relevant SwapClear Clearing Member's PPS account to cover that intra-day margin call.

Standard Clearing House rules as to the currencies in which cash Collateral may be transferred to the Clearing House to satisfy an intra-day Collateral requirement will apply.

It is the responsibility of the SwapClear Clearing Members to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to enable the Clearing House to deduct cash within 1 hour of the intra-day margin call.

**APPENDIX 4a**

If the Clearing House is unable to contact the SwapClear Clearing Member in order to arrange an alternative payment method for the intra-day margin call, the Clearing House will automatically issue a PPS call to debit the SwapClear Clearing Member's PPS account in the appropriate currency.

1.11.2 Alternative Methods – Client Accounts

In respect of its Client Clearing Business, a SwapClear Clearing Member must notify the Clearing House of its preferred method of collateralisation at the time of the Clearing House's intra-day margin call. Once a SwapClear Clearing Member has chosen an intra-day collateralisation method and has notified the Clearing House of its chosen method, such choice is definitive and the Clearing House will not reverse any such decision.

(a) Intra-Day Prepayment Methods(i) Method 1 – Transferring cash House Excess from its Proprietary Account

A SwapClear Clearing Member may choose to cover its intra-day margin calls by transferring House Excess in the form of cash from its Proprietary Account to the relevant Client Account.

In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet an intra-day margin call, or part of its intra-day margin call, in this way it must follow the procedure below.

A transfer of excess cash Collateral from its Proprietary Account to the relevant Client Account must be completed within 1 hour of the SwapClear Clearing Member's request to the Clearing House that it intends to transfer House Excess in the form of cash to such Client Account by completing the Intra-Day House Cash Excess Transfer Form (Schedule 19).

In the event that a SwapClear Clearing Member does not meet this requirement and fails to provide the Clearing House with an executed Intra-Day House Cash Excess Transfer Form within 1 hour of notifying the Clearing House of its intention to transfer House Excess in the form of cash, the Clearing House may at its discretion issue a PPS call to cover the requirements in cash, in the appropriate currency.

(ii) Method 2 – Utilise cash Client Excess held in an Omnibus Gross Segregated Account on behalf of the relevant Omnibus Gross Segregated Clearing Client(s)

In respect of an intra-day margin call relating to the Contracts entered into by the relevant SwapClear Clearing Member on behalf of a specific Omnibus Gross Segregated Clearing Client, a SwapClear Clearing Member may choose to utilise cash

Client Excess held on behalf; of (i) that Omnibus Gross Segregated Clearing Client or (ii) where the Omnibus Gross Segregated Clearing Client is a member of a group of Combined Omnibus Gross Segregated Clearing Clients, such Combined Omnibus Gross Segregated Clearing Clients, to meet such intra-day margin call.

In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call, or part of an intra-day margin call in this way it must follow the procedure below.

Having notified the Clearing House of the utilisation of cash Client Excess, the relevant SwapClear Clearing Member must provide an updated version of the Client Excess Spreadsheet (see 1.10 above) to the Clearing House within 30 minutes.

If a SwapClear Clearing Member does not fulfil this requirement and fails to provide the Clearing House with an executed Client Excess Spreadsheet within 30 minutes of the SwapClear Clearing Member's notification to the Clearing House that it wishes to utilise non-cash Collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day margin requirement in cash, in the appropriate currency, or impose penalty charges.

(b) Intra-Day Non-Cash Collateralisation Methods

(i) A SwapClear Clearing Member may choose not to cover its intra-day margin calls with cash Collateral. In such a case, a SwapClear Clearing Member may choose to use one or more of the following three methods:

(A) Method 1 – Transfer intra-day non-cash Collateral into a Client Account; and/or

(B) Method 2 – Transfer non-cash House Excess from a Proprietary Account to the relevant Client Account; and/or

(C) Method 3 – In respect of an intra-day margin call relating to Contracts entered into by the relevant SwapClear Clearing Member on behalf of a specific Omnibus Segregated Account Client only, utilisation of non-cash Client Excess held in the relevant Omnibus Gross Segregated Account on behalf of the relevant Omnibus Segregated Account Client.

(ii) Method 1 – Transfer intraday non-cash Collateral

A SwapClear Clearing Member may choose to transfer non-cash Collateral to the Clearing House to cover any intra-day margin call in respect of a Client Account relating to the Contracts entered into on behalf of the relevant client.

In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call in this way, it must follow the procedure below.

Within 30 minutes of the SwapClear Clearing Member's notification of its intention to transfer non-cash Collateral it must:

- (A) instruct the lodgement of Collateral in the CMS; and
- (B) input instructions for matching with the relevant Custodian account.

Any lodgement of non-cash Collateral must be transferred to the Clearing House's account at the relevant Custodian for settlement within 1 hour of the SwapClear Clearing Member's notification to the Clearing House of its intention to transfer non-cash Collateral.

In the event that non-cash Collateral is not transferred in the Clearing House's account within 1 hour of the SwapClear Clearing Member notifying the Clearing House of its intention to transfer non-cash Collateral, the Clearing House may at its discretion issue a PPS call to cover the relevant intra-day requirement in cash, in the appropriate currency, or impose penalty charges.

(iii) Method 2 – Transfer non-cash House Excess from a Proprietary Account

A SwapClear Clearing Member may choose to utilise House Excess held in its Proprietary Account to meet an intra-day margin call on a Client Account.

In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet its intra-day margin call, or part of its intra-day margin call, by transferring excess non-cash House Excess held in a Proprietary Account it must follow the procedure below.

A transfer of non-cash House Excess held in a Proprietary Account to the Client Account must be completed within 1 hour of the SwapClear Clearing Member's request to the Clearing House that it intends to transfer non-cash House Excess held in its Proprietary Account to the Client Account by instructing the transfer of Collateral in CMS.

In the event that a SwapClear Clearing Member does not fulfil this requirement and fails to instruct the transfer in CMS within 1 hour of notifying the Clearing House of its intention to transfer non-cash House Excess held in its Proprietary Account, the Clearing House may at its discretion issue a PPS call to cover the requirement in cash in the appropriate currency.

Transfers from the Client Account to the Proprietary Account are not permitted under any circumstances.

(iv) Method 3 – Utilise non-cash Client Excess held on behalf of Omnibus Gross Segregated Clearing Client(s)

In respect of an intra-day margin call relating to Contracts entered into by the relevant SwapClear Clearing Member on behalf of a specific Omnibus Gross Segregated Clearing Client, a SwapClear Clearing Member may choose to utilise non-cash Client Excess held on behalf of (i) that Omnibus Gross Segregated Clearing Client; or (ii) where the Omnibus Gross Segregated Clearing Client is a member of a group of Combined Omnibus Gross Segregated Clearing Clients, such Combined Omnibus Gross Segregated Clearing Clients, to meet such intra-day margin call.

In the event that a SwapClear Clearing Member notifies the Clearing House that it wishes to meet an intra-day margin call, or part of an intra-day margin call in this way it must follow the procedure below.

Having notified the Clearing House of the utilisation of non-cash Client Excess, the relevant SwapClear Clearing Member must provide an updated version of the Client Excess Spreadsheet (see Section 1.10 above) to the Clearing House within 30 minutes.

The Clearing House will apply accommodation charges for any non-cash Collateral transferred to the Clearing House in respect of an intra-day margin call (see Procedure 3 (*Financial Transactions*) of the Clearing House Procedures). This charge will be invoiced to Members separately from the monthly interest and accommodation charge statement.

If a SwapClear Clearing Member does not fulfil this requirement and fails to provide the Clearing House with an executed Client Excess Spreadsheet within 30 minutes of the SwapClear Clearing Member's notification to the Clearing House that it wishes to utilise non-cash Collateral, the Clearing House may at its discretion issue a PPS call to cover the intra-day margin requirement in cash, in the appropriate currency, or impose penalty charges.

**SCHEDULE 1**  
**CLIENT CONSENT FORM**

Client Consent Form can be found at the following link:

[http://www.lchclearnet.com/Images/Client%20Consent%20Form\\_tcm6-60957.pdf](http://www.lchclearnet.com/Images/Client%20Consent%20Form_tcm6-60957.pdf)



**APPENDIX 4B**

**Contingency Member Triparty Lodgement Form**

**SCHEDULE 2**  
**CLEARING HOUSE PRESCRIBED LANGUAGE**

Capitalised terms used in this Schedule shall have the meaning specified in the Rulebook.

[Clearing Client] [Indirect Clearing Client] hereby acknowledges and agrees that:

- (a) the services provided by the Clearing House with regard to the Clearing Services will be subject to and governed by the rules in the Clearing House's Rulebook, and the [Clearing Client] [Indirect Clearing Client] will not act so as to cause – whether directly or indirectly – any breach of such rules or agreement by any person. The provisions of the amended text of Regulation 52 (*Exclusion of Liability*) of the Clearing House's Rulebook set out below shall apply *mutatis mutandis* as though entered into by the [Clearing Client] [Indirect Clearing Client] directly with the Clearing House;
- (b) in the event that the [Clearing Client] [Indirect Clearing Client] has failed to appoint a Backup Clearing Member or the Clearing House does not receive the necessary confirmation from the [Clearing Client] [Indirect Clearing Client] of its wish to have its positions transferred (including by way of termination, close-out and establishment of new replacement transactions to replicate such positions) or the Backup Clearing Member declines to act as such, on the default of the relevant Clearing Member, the Clearing House will close out and terminate the Contracts entered into by that Clearing Member in respect of the [Clearing Client] [Indirect Clearing Client] and will not transfer or otherwise re-establish such positions. For the avoidance of doubt, a Backup Clearing Member can be appointed prior to or after the default of the relevant Clearing Member, but a [Clearing Client] [Indirect Clearing Client] who has not appointed a Backup Clearing Member prior to the default of the relevant Clearing Member may find that porting may be less likely to occur in those circumstances;
- (c) the [Clearing Client] [Indirect Clearing Client] will not be entitled to instruct the Clearing House to act or to omit to act in any manner at any time prior to the default of the relevant Clearing Member but the Clearing House shall accept instructions from the [Clearing Client] [Indirect Clearing Client] following a default of the relevant Clearing Member, **provided that** such instructions are in accordance with the rules of the Clearing House's Rulebook;
- (d) the [Clearing Client] [Indirect Clearing Client] will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time prior to the default of the relevant Clearing Member but the Clearing House shall provide such information to the [Clearing Client] [Indirect Clearing Client] following a default of the relevant Clearing Member;
- (e) the Clearing House will not hold any assets transferred to it on trust for any person; and
- (f) where the Clearing Member provides securities to the Clearing House as Collateral (the "**Securities**"), the [Clearing Client] [Indirect Clearing Client] will not be entitled to assert any equitable or other claim to any such Securities in circumstances where the assertion of such a 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 rules of the Clearing House's Rulebook.

### **Regulation 52: Exclusion of Liability**

**(This has been extracted from the Clearing House's Rulebook)**

- (a) Without prejudice to the provisions of Regulations 2 and 32 and 52(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any Clearing Client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of the market administered by an Exchange, an ATP or a Co-operating Clearing House, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or an Exchange or a Co-operating Clearing House or an ATP or its operator or the relevant approved agent or the Approved EquityClear Settlement Provider to supply each other with data or information in accordance with arrangements from time to time established between any or all of such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, an Exchange, or a Co-operating Clearing House; any event which is outside the control of the Clearing House; any act or omission of an Exchange, or a Co-operating Clearing House in connection with a Co-operating Clearing House Contract or any contracts made on such terms, including, without limitation, any error in the establishment of a settlement price made by an Exchange; any act or omission of the Clearing House, an Exchange, or a Co-operating Clearing House (as the case may be) in connection with the operation of a Link or the arrangement for the transfer of Contracts under a Link.
- (b) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a Member or any other person (including without limitation a SwapClear Dealer, or a RepoClear Dealer or a ForexClear Dealer) in respect of any dispute arising from or in relation to any OTC Transaction, Eligible OTC Trade, or an ATP Match including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, Eligible OTC Trade, the terms of such OTC Transaction, Eligible OTC Trade, trade or ATP Match, or whether any alleged agreement or arrangement constitutes an OTC Transaction or Eligible OTC Trade.
- (c) Without prejudice to the provisions of Regulation 2 and Regulation 52(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member, RepoClear Clearing Member, EquityClear Clearing Member, LCH EnClear OTC Clearing Member, ForexClear Participant or to any other person (including, without limitation, a SwapClear Dealer or a RepoClear Dealer) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of an OTC Service or the EquityClear Service or the LCH EnClear OTC Services (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under Regulation 16(i), Regulation 37,

Regulation 38, Regulation 55(g), or Regulation 72 or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.

- (d) Without prejudice to Regulation 52(c) and Regulation 52(e), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), to any Member, or a SwapClear Dealer, a RepoClear Dealer, or a ForexClear Dealer for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such Member, SwapClear Dealer, RepoClear Dealer, or a ForexClear Dealer, and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (e) Nothing in this Regulation 52 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House and for any actions that it may take on the basis of advice given to it by the SwapClear DMG, and for the accuracy of the information that it distributes to the SwapClear Clearing Members in connection with the SwapClear DMP pursuant to the SwapClear DMP Annex in the Default Rules, and for any actions that it may take on the basis of advice given to it by the ForexClear DMG, and for the accuracy of the information that it distributes to the ForexClear Clearing Members in connection with the ForexClear DMP pursuant to the ForexClear DMP Annex in the Default Rules.
- (f) Without prejudice to the provisions of Regulation 2 and Regulation 32 and Regulation 52(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any Clearing Client of a Member or a member of a Co-operating Clearing House or any Clearing Client of such member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by TGHL or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of TGHL, in supplying any services to the Clearing House with regard to the Turquoise Derivatives Services or as a result of or in connection with any inconsistency or conflict between any provision contained in the Turquoise Derivatives Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.

(g) For the purposes of the Contracts (Rights of Third Parties) Act 1999, save as is expressly set out herein, these Regulations, Default Rules and Procedures do not create any rights in any persons who is/are not a Member/s.

**SCHEDULE 3**  
**CLEARED TRADE REMOVAL AGREEMENT<sup>3</sup>**

**Removal of registered Contracts**

Requested Removal Date: DD/MM/YYYY

**BETWEEN:**

(1) LCH.CLEARNET LIMITED (the "Clearing House") whose registered office is Aldgate House, 33 Aldgate High Street, London EC3N 1EA;

and

(2) [CLEARING MEMBER] ("CM"),

each a "Party" and jointly the "Parties".

**WHEREAS:**

(A) The Clearing House, a Recognised Clearing House under the Financial Services and Markets Act 2000 provides clearing services.

(B) CM is a member of the Clearing House authorised by the Clearing House to participate in the service as a Clearing Member.

(C) CM wishes to withdraw certain Contracts from the Service which were previously registered by the Clearing House.

(D) The Clearing House agrees to remove from the service certain Contracts subject to and in accordance with the terms and conditions of this Agreement.

(E) The Parties acknowledge that the removal of a trade from clearing pursuant to this Agreement (and the Clearing House Rulebook) is primarily for the removal of trades that were originally submitted from SWIFT and in respect of which automated trade deletion and termination is no longer available.

**THE PARTIES agree as follows:****1. Definitions**

Words and phrases not otherwise defined in this Agreement shall have the same meaning as in the Regulations, Default Rules and Procedures of the Clearing House (the "Clearing House Rulebook").

**2. Contracts for Removal from Service**

CM requests that the Contract(s), particulars of which are set out in Schedule A hereto, registered by the Clearing House on the date(s) set out in that Schedule, and to

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<sup>3</sup> LCH to confirm that the service to which the trade relates is identifiable from the unique identified code assigned to the trade.

which CM and the Clearing House are party (the "Registered Contract(s)"), be removed from service by mutual consent in accordance with the provisions of this Agreement and the Clearing House Rulebook.

### 3. Contingent Event

The removal from service of the Registered Contract(s) requested herein is contingent, *inter alia*, upon the simultaneous removal (such time being the time set by the Clearing House in its absolute discretion) of each of the Contract(s) which relate to the same transaction which was submitted to the Clearing House for clearing as two Contracts (the "Offsetting Contract(s)") to which the Clearing House is party together with the corresponding Clearing Members (the "Counterparty CMs").

### 4. Administrative and Other Arrangements

4.1 In order to facilitate the requested removal from service of the Registered Contract(s) and the Offsetting Contract(s) the Clearing House may:

4.1.1 make whatever changes, adjustments and alterations to information and records relating to the CM and the Counterparty CM(s) held by the Clearing House on its internal systems (other than data constituting the economic terms of any such Registered Contract relating to SwapClear or Offsetting Contract) and to the Clearing House's normal processes and procedures as the Clearing House in its sole discretion considers necessary; and

4.1.2 take whatever other steps and actions as the Clearing House in its sole discretion determines as necessary and appropriate.

### 5. Margin

5.1 In accordance with the Clearing House Rulebook, the Clearing House may, for so long as the Clearing House deems appropriate, retain all Collateral or other sums that the Clearing House may hold in connection with the Registered Contract(s) or Offsetting Contract(s). Any cash or non-cash Collateral provided to the Clearing House by or on behalf of CM in respect of that CM's margin obligations to the Clearing House in connection with the Registered Contract(s) shall be available to the Clearing House to meet any obligations or liabilities whatsoever which are or which may become due to the Clearing House, notwithstanding any administrative change(s) that may have been made or any administrative action that may have been taken by the Clearing House.

5.2 CM agrees to advise its relevant PPS bank of any additional margin requirements, in line with the Clearing House Rulebook, which may arise as a result of the requested termination and deletion and shall ensure that the Clearing House is sufficiently funded in order to meet any additional margin requirements.

### 6. Costs and Expenses

Unless otherwise agreed by the Clearing House, the CM shall be responsible for and agrees to pay all costs and expenses associated with the requested removal from service.

## 7. Provision of Particulars

If so requested by the Clearing House, CM shall promptly provide to the Clearing House such reasonable particulars in respect of any or all of the Registered Contracts as the Clearing House may request, in such electronic form as the Clearing House may require.

## 8. Time and Date of Termination

8.1 Unless otherwise specified by the Clearing House, the date of termination of each Registered Contract shall be the date set out at the head of this Agreement as the "Requested Removal Date" ("Removal Date"), unless the Parties otherwise agree, provided always that the Clearing House may amend the Removal Date by notice to the CM.

8.2 CM acknowledges and accepts that the time of removal on the Removal Date of the Registered Contract(s) shall not in any circumstances be the time when the Clearing House effects any administrative change(s) or administrative action(s) but shall instead be the time which the Clearing House notifies CM as being the time when removal has taken place.

8.3 The termination of any Registered Contract shall have no effect upon accrued rights and obligations of the CM in respect of that Registered Contract, which rights and obligations shall survive termination.

8.4 The Clearing House may, by notice to the CM given at any time up to the Removal Date, revoke its agreement to the removal of service of any Registered Contract in the event that:

8.4.1 the Counterparty CM has not consented or has withdrawn its consent to the removal of the Offsetting Contract; or

8.4.2 the Clearing House takes the view that to terminate that Registered Contract(s) would adversely and materially adversely affect its risk or the risk of the market as a whole.

8.5 CM or any Counterparty CM may, at any time up to the start of the day which is one clear London business day prior to the Removal Date, by notice in writing to the Clearing House and the Counterparty CM, withdraw its agreement for the trade removal of any of the Registered Contracts or Offsetting Contract (as the case may be) and the Clearing House shall use its reasonable endeavours to ensure that the Registered Contract(s) and/or the Offsetting Contract is not removed from service.

## 9. Moneys Due to the Clearing House

CM acknowledges and agrees that the Clearing House may in its sole discretion debit the relevant PPS account in respect of any moneys due from CM to the Clearing House in connection with the requested removal.



10. Agreement to Prevail

In the event of any inconsistency between the provisions of this Agreement and the Clearing House Rulebook, the provisions of the Clearing House Rulebook shall prevail.

11. Confirmation of Consents etc.

CM confirms that all requisite consents and approvals, regulatory or otherwise, have been obtained in connection with the removal from service requested herein.

12. Law and Jurisdiction

This Agreement shall be governed by English law and the Parties irrevocably submit to the exclusive jurisdiction of the English courts.

13. Liability

All matters of liability arising in connection with this Agreement shall be determined in accordance with the provisions of the Clearing House Rulebook as if the terms of this Agreement formed part of the Clearing House Rulebook.

 LCH.CLEARNET  
For and on behalf of CM

**MEMBER TRIPARTY LODGEMENT  
FORM  
EUROCLEAR**

.....  
Authorised Signatory

.....  
Authorised Signatory

.....  
Name

.....  
Name

For and on behalf of the  
CLEARING HOUSE

.....  
Signatory

.....  
Name

**SCHEDULE A**  
**THE REGISTERED CONTRACTS**

Contract parties: (Clearing Member) and LCH.Clearnet Limited (the "Clearing House").

Version 1: July 2007

To LCH.Clearnet Limited ("the Clearing House") Contract Date of  
LCH Reference Contract CM Reference Registration

**SCHEDULE 4**  
**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM**

**EUROCLEAR**

Version 1: July 2007

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No: 00001ATS

From Clearing Member (full name) .....

House/Client\* Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

<u>Execution Date</u>	<u>Currency</u>	<u>Nominal Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of  
The Clearing Member

1. ....  
(Signature) (Print Name) (Position)

2. ....  
(Signature) (Print Name) (Position)

Date: .....

**SCHEDULE 5**  
**CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY AMENDMENT FORM**  
**EUROCLEAR**

Version 1: May 2007

To     LCH.Clearnet Limited ("the Clearing House")

From   Clearing Member (full name) .....

House/Client\*                      Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No. ~~62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

<b>Execution Date</b>	<b>Currency</b>	<b>Nominal Amount</b>	<b>Collateral Giver Account Number</b>	<b>Collateral Taker Account Number</b>

Signatories for and on behalf of  
The Clearing Member

1. \_\_\_\_\_  
(Signature)                      (Print Name)                      (Position)

2. \_\_\_\_\_  
(Signature)                      (Print Name)                      (Position)

Date: \_\_\_\_\_

**APPENDIX 4e**

**Contingency Member Triparty Amendment Form**



**~~MEMBER TRIPARTY AMENDMENT FORM~~**

**EUROCLEAR**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name) \_\_\_\_\_

House/Client\* Mnemonic \_\_\_\_\_ \*Please delete as appropriate

~~We are entitled to the entire beneficial interest in these securities.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No.62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

Execution Date	Lodgement Number	Increase/ Decrease	Amount of Increase/ Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of The Clearing Member

~~The Clearing Member~~

1. \_\_\_\_\_  
 (Signature) (Print Name) (Position) \_\_\_\_\_

2. \_\_\_\_\_  
 (Signature) (Print Name) (Position) \_\_\_\_\_

Date: .....

**APPENDIX 4e**

**SCHEDULE 6**  
**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING FORM**  
**EUROCLEAR**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

~~Version 1: May 2007~~

To ~~LCH.Clearnet Limited ("the Clearing House")~~

From Clearing Member (full .....  
 name)

House/Client\* Mnemonic ..... \* ..... Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of The Clearing Member  
~~The Clearing Member~~

1. ..... ..... ..... .....  
 (Signature) (Print Name) (Position)





**APPENDIX 4D**

**SCHEDULE 7**  
**CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM**  
**CLEARSTREAM**



Version 1: July 2007

To      LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From    Clearing Member (full name) .....

House/Client\*                      Mnemonic ..... \* Please delete as appropriate

*Version 1: July 2007*

*To*            *LCH.Clearnet Limited ("the Clearing House")*

*LCH.Clearnet Limited Ref No:*

*From*        *Clearing Member (full name)* \_\_\_\_\_

*House/Client\**                      *Mnemonic* ..... \*Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on



**APPENDIX 4E**

**SCHEDULE 8**  
**CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY AMENDMENT FORM**  
**CLEARSTREAM**



Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

~~Version 1: May 2007~~

To ~~LCH.Clearnet Limited ("the Clearing House")~~

From Clearing Member (full .....  
name)

**House/Client\*** Mnemonic ..... \*     Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time~~..~~

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on

behalf of The Clearing  
Member

~~The Clearing~~  
~~Member~~

1. \_\_\_\_\_  
(Signature) (Print Name) (Position) \_\_\_\_\_

2. \_\_\_\_\_  
(Signature) (Print Name) (Position) \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX 4F**



**SCHEDULE 9**  
**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING FORM**  
**CLEARSTREAM**

Version 1: May 2007

To LCH.Clearnet Limited ("the Clearing House")

~~Version 1: May 2007~~

To ~~LCH.Clearnet Limited ("the Clearing House")~~

From Clearing Member (full .....  
 name)

House/Client\* Mnemonic ..... \* ..... Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of The Clearing Member  
~~The Clearing Member~~

1. ..... ..... ..... .....  
 (Signature) (Print Name) (Position)



**APPENDIX 4G**

**SCHEDULE 10**  
**CONTINGENCY ~~COLLATERAL~~ MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM**  
**BNY Mellon US domestic platform (GSCX)**

Version 1: Mar 2014

To LCH.Clearnet Limited ("the Clearing House")

LCH.Clearnet Limited Ref No:

From Clearing Member (full name) .....

House/Client\*                      Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator.

<u>Execution Date</u>	<u>Currency (USD only)</u>	<u>Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of  
The Clearing Member

1.      .....                      .....                      .....  
            (Signature)                      (Print Name)                      (Position)

2.      .....                      .....                      .....  
            (Signature)                      (Print Name)                      (Position)

Date: .....



**SCHEDULE 12**  
**CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING FORM**  
**BNY Mellon US domestic platform (GSCX)**

Version 1: Mar 2014

To LCH.Clearnet Limited ("the Clearing House")

From Clearing Member (full name) .....

House/Client\*                      Mnemonic .....                      \* Please delete as appropriate

<u>CMS Reference</u>	<u>Closing Date &amp; Execution Date</u>	<u>Currency</u>	<u>Amount</u>	<u>Collateral Giver Account Number</u>	<u>Collateral Taker Account Number</u>

Signatories for and on behalf of  
The Clearing Member

1. ....                      .....                      .....  
(Signature)                      (Print Name)                      (Position)

2. ....                      .....                      .....  
(Signature)                      (Print Name)                      (Position)

Date: .....

**SCHEDULE 13**  
**CONTINGENCY COLLATERAL LODGEMENT FORM**



**CONTINGENCY COLLATERAL LODGEMENT FORM**

Version 1: December 2011

To: LCH.Clearnet Limited (the "Clearing House")

LCH.Clearnet  
Limited Ref No:

From: Clearing Member (full name) \_\_\_\_\_  
m: \_\_\_\_\_

House/Client/Buffer Mnemonic: \_\_\_\_\_  
\*

**\*Please delete  
as appropriate**

We are/A client is\* entitled to the entire beneficial interest in these securities.- (If a client is entitled to the entire beneficial interest, a Client Consent Form must be completed by the client and submitted to the Clearing House.)

**\*Please delete as appropriate**

Beneficial Owner \_\_\_\_\_  
Name (full name)

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Security Code Number	Settlement Date	T r a d e	D a m o u n t/ N o m i n a l V a l u e	Descripti on of Security
----------------------	-----------------	-----------------------	--	--------------------------------

Delivery from:  
Depository/Agent

(for US Securities,  
Broker Code):

Account Holder:

Account Number:

Beneficial Owner  
Italian Tax ID:

Delivery to:

**BONY (US Owners)**      **BONY (Non-US Owners)**

**Citibank (US Owners)**

**C E Eur Euroc  
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t oc ar UK &  
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Signatories for and on behalf of ~~the~~The Clearing Member:-

**+**  
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( ( (Position)  
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Date:



**APPENDIX 4H**

**SCHEDULE 14 CONTINGENCY**  
**CONTINGENCY COLLATERAL RELEASE FORM**



LCH.CLEARNET

**CONTINGENCY COLLATERAL RELEASE FORM**

Version 1: February 2011

To:

LCH.  
Clearnet  
Limited (the  
"Clearing  
House")

From:

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)

House/Client ~~Account~~/Buffer\*

Mnemonic: \*Please delete as appropriate  
.....  
.....  
.....  
.....

We hereby request you to release the securities described below.

Security Code Number (e.g.: ISIN)	D T Amou e r nt/No l a minal	Descripti on of
-----------------------------------	------------------------------------	--------------------

	id	Value	Security
	v	(Issue	
	e	-	
	r	D Coup	
	y	on -	
	t	Matu	
	D	e rity)	
	a		
	t		
	e		
(The Clearing House Ref No:			(from lodgement form)
Delivery to: Depository/Agent US Securities, Broker Code Account Holder: Account Number			
Signatories for and on behalf of <del>the</del> <u>The</u> Clearing Member:-	<u>1</u>		+-  ( ( (Position) S P i r g i n n a t t u N r a e m ) e )
	2		.  ( ( (Position) S P i r g i n n a t t u N r a e m ) e )
Date:			
To:			THE ABOVE-NAMED CLEARING MEMBER  The release of the above- mentioned securities is

	agreed.	
For and on behalf of LCH.Clearnet Limited	D a t e	Ti me
(Authorised Signatory)		

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Recognised as a Clearing House under the Financial Services and Markets Act 2000. — LCH.~~CLEARNET LIMITED~~  
~~COPY~~

**Appendix 4I**

**SCHEDULE 15****LCH. ~~CLEARNET ACCOUNTS FOR DELIVERY OF~~ CLEARNET ACCOUNTS FOR  
DELIVERY OF MARGIN COLLATERAL ~~EX~~CLUDING FCM CLIENT**

	Margin Collateral						
	Bank of New York		Citibank		Euroclear Bank		Euroclear UK & Ireland
	735136	735137	090401	090372	91205	91737	5165
Australia					X		
Austria					X		
Belgium					X		
Canada					X		
Denmark					X		
EUR Agencies					X		
Finland					X		
France					X		
Germany					X		
Italy						X	
Japan					X		
Luxembourg					X		
Netherlands					X		
Norway					X		
Spain					X		
Sweden					X		
United Kingdom							X
United States	X	X	X	X			
US Agencies	X	X	X	X			

**APPENDIX 4J**

**PRECIOUS METAL COLLATERAL LODGEMENT FORM**

**SCHEDULE 16**  
**GOLD COLLATERAL LODGEMENT FORM**



~~Precious Metal~~ Gold Collateral Lodgement Form

Version 11: April 2011

LCH.Clearnet Limited Ref No: \_\_\_\_\_

To: ~~LCH.Clearnet Limited (the "Clearing House")~~

From: Clearing Member (full name): \_\_\_\_\_

**House/Client Account<sup>2</sup>** \_\_\_\_\_

**Mnemonic:** \_\_\_\_\_

<sup>1</sup>**\*Please delete as appropriate**

~~We are entitled to the entire beneficial interest in the Precious Metal described below and wish to provide it by way of security for the arrangements described in this Lodgement Form~~

~~We acknowledge that (i) the Precious Metals may be held by the Clearing House in an unallocated account and/or through an allocated account via vault of the Clearing House held with or through an institution ("LPMCL Precious Metals Agent") which is a member of London Precious Metals Clearing Limited ("LPMCL"), (ii) the Precious Metals may be held subject to the terms of AURUM (the electronic matching and settlement system operated by LPMCL), (iii) the Clearing House has no responsibility for the performance of, or any default on the part of, any such LPMCL Precious Metals Agent, LPMCL or any associated custodian, system or operator and (iv) we consent to the Precious Metals being held in or through an unallocated and/or allocated account on the terms just described.~~

Description of Precious Metal	Weight Oz (round 400oz lots, minimum 10,000oz)	Lodgement date	Member Ref

AURUM Client name	AURUM Client ID	AURUM Client Account Ref	AURUM members Clearer ID

AURUM account details	
Clearing House Account No	To Barclays Bank plc (SWIFT BARCGB22PMD) a/c LCH Collateral Account a/c 32989

Signatories for and on behalf of the Clearing Member: 1. \_\_\_\_\_

(Signature)

(Print Name)

(Position)

2. \_\_\_\_\_

(Signature)

(Print Name)

(Position)

Date: \_\_\_\_\_

To: **THE ABOVE NAMED CLEARING MEMBER**

~~We accept the Precious Metal as "Charged Property" transferred to us under the Charge over Precious Metals which you have executed in our favour and, where necessary or appropriate for these purposes, the Precious Metal shall be included in the Schedule to the Form of Charge over Precious Metals as Charged Property in order to complete the collateral arrangements.~~

For and on behalf of LCH Clearnet Limited

Date: \_\_\_\_\_

Time: \_\_\_\_\_

(Authorised Signatory): \_\_\_\_\_

25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA





**APPENDIX 4K**



**Precious Metal Collateral Release Form**

Version 11: April 2011

LCH.Clearnet Limited Ref No: \_\_\_\_\_

To: LCH.Clearnet Limited (the "Clearing House")

From: Clearing Member (full name): \_\_\_\_\_

**House/Client Account\***

**Mnemonic:**

\*Please delete as appropriate

We are entitled to the entire beneficial interest in the gold described below and wish to provide it by way of security for the arrangements described in this Lodgment Form

We hereby request you to delete the Precious Metal described below from The Schedule of the Charge over Precious Metals which we have executed in your favour. We acknowledge that (i) the gold may be held by the Clearing House in an unallocated account and/or through an allocated account via vault of the Clearing House held with or through an institution (a "Collateral Agent") which is a member of London Precious Metals Clearing Limited ("LPMCL"). (ii) the gold may be held subject to the terms of AURUM (the electronic matching and settlement system operated by LPMCL). (iii) the Clearing House has no responsibility for the performance of, or any default on the part of, any such Collateral Agent, LPMCL or any associated custodian, system or operator and (iv) we consent to the gold being held in or through an unallocated and/or allocated account on the terms just described.

Description of Precious Metal	Weight Oz (round 400oz lots, minimum 10,000oz)	Release Lodgement date	Member Ref

AURUM Client name	AURUM Client ID	AURUM Client Account Ref	AURUM Clearer ID	members

AURUM account details	
Clearing House Account No	To Barclays Bank plc (SWIFT BARCGB22PMD) a/c LCH Collateral Account a/c 32989

Signatories for and on behalf 1.  
of the Clearing Member:

_____	_____	_____
(Signature)	(Print Name)	(Position)
<u>2.</u>	_____	_____
(Signature)	(Print Name)	(Position)
Date: _____		

To: **THE ABOVE-NAMED CLEARING MEMBER**

We accept the gold as "Charged Property" transferred to us under the Charge over Gold which you have executed in our favour and, where necessary or appropriate for these purposes, the gold shall be included in the Schedule to the Form of Charge over Gold as Charged Property in order to complete the collateral arrangements.

For and on behalf of LCH Clearnet Limited

Date: \_\_\_\_\_

Time: \_\_\_\_\_

(Authorised Signatory): \_\_\_\_\_

25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

**SCHEDULE 17**  
**GOLD COLLATERAL RELEASE FORM**



**Gold Collateral Release Form**

Version 11: April 2011

LCH.Clearnet Limited Ref  
No:

To: LCH.Clearnet Limited (the "Clearing House")

From: Clearing Member (full name):  
m:

**House/Client Account\***                      **Mnemonic**                      *\*Please delete as appropriate*  
**c:**

We hereby request you to delete the gold described below from The Schedule of the Charge over Gold which we have executed in your favour.

<u>Description of Gold</u>	<u>Weight Oz (round 400oz lots, minimum 10,000oz)</u>	<u>Release date</u>	<u>Member Ref</u>

<u>AURUM Client name</u>	<u>AURUM Client ID</u>	<u>AURUM Client Account Ref</u>	<u>AURUM members Clearer ID</u>

<u>AURUM account details</u>	
<u>Clearing House Account No</u>	<u>To Barclays Bank plc (SWIFT BARCGB22PMD)</u> <u>a/c LCH Collateral Account</u> <u>a/c 32989</u>

Signatories for and on behalf of the Clearing Member:

1. \_\_\_\_\_  
(Signature)                      (Print Name)                      (Position)

2. \_\_\_\_\_  
(Signature)                      (Print Name)                      (Position)

Date: \_\_\_\_\_

To **THE ABOVE-NAMED CLEARING MEMBER**

The deletion of the above-mentioned ~~Precious-Metal~~gold from The Schedule of the Charge over ~~Precious-Metals~~Gold which you have executed in our favour is agreed.

For and on behalf of LCH Clearnet Limited                      Date: \_\_\_\_\_  
Tim                      e: \_\_\_\_\_

(Authorised Signatory): \_\_\_\_\_

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Recognised as a Clearing House under the Financial Services and Markets Act 2000.                      LCH.CLEARNET LIMITED COPY

**SCHEDULE 18**  
**CLIENT EXCESS SPREADSHEET, APPENDIX**

Additional Collateral (Client) Account Spreadsheet											Issue Date		04/05/2010			
<b>Example</b>																
Collateral Funded Date	SCM mnemonic	Scmname	Client	Collgroup	Collgroupdescription	Currency	Bankcode	Bankname	Price	Nominal value	Cover value	Value Date	Expiry date	ISIN		
26/10/2009	XXX	XXX Bank	ABC	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	146.80	14,000,000.00	19216120	20/08/2009	27/10/2023	IT0000366655		
27/10/2009	XXX	XXX Bank	ABC	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	114.03	16,000,000.00	17058888	21/04/2009	28/04/2031	IT0001444378		
27/10/2009	XXX	XXX Bank	ABC	CASH	CASH	EUR	870001	XXXX		1,000,000.00						
28/10/2009	XXX	XXX Bank	XYZ	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	103.37	10,000,000.00	9820150	07/05/2009	28/01/2020	IT0003644769		
26/10/2009	XXX	XXX Bank	EFG	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	146.80	14,000,000.00	19216120	20/08/2009	27/10/2023	IT0000366655		
27/10/2009	XXX	XXX Bank	EFG	BUN	EUROPEAN GOVERNMENT BONDS	EUR	870001	EUROCLEAR (GROSS 91737)	114.03	16,000,000.00	17058888	21/04/2009	28/04/2031	IT0001444378		
27/10/2009	XXX	XXX Bank	EFG	CASH	CASH	GBP	870001	XXXX		5,000,000.00						
<b>Total "A" account holdings</b>						???										
<b>Please fill in the following:</b>																
Collateral Funded Date	SCM mnemonic	Scmname	Client	Collgroup	Collgroupdescription	Currency	Bankcode	Bankname	Price	Nominal value	Cover value	Value Date	Expiry date	ISIN		
<b>Total "A" account holdings</b>						???										

**SCHEDULE 19**  
**INTRA-DAY HOUSE CASH EXCESS TRANSFER FORM**



Version 2: 2013

Completed forms should be sent to the Clearing House Treasury Department (scmcollateral@lchclearnet.com).

From:    Clearing Member (full name) House Account:

To:        Client Account                      Mnemonic:

We wish to transfer the following amount of cash Collateral from our Proprietary Account to the Client Account as detailed above. We confirm that we are duly authorised, on behalf of the Clearing Member detailed above, to instruct the Clearing House to make this transfer.

<u>Amount</u>

Signatories for and on behalf of the Clearing Member:

1.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Position)

2.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Position)

Date:

\_\_\_\_\_

**SECTION 8**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 5**

**DISCIPLINARY PROCEEDINGS**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>8. DISCIPLINARY PROCEEDINGS.....</del>	<del>2</del>
<del>8.1 SCOPE OF THIS PROCEDURE.....</del>	<del>2</del>
<del>8.2 INVESTIGATION PROCEDURE.....</del>	<del>2</del>
<del>8.3 IMMEDIATE MEASURE.....</del>	<del>7</del>
<del>8.4 SANCTIONS.....</del>	<del>8</del>
<del>8.5 DISPUTING A DECISION.....</del>	<del>8</del>
<del>8.6 REPORTING AND PUBLICATION.....</del>	<del>9</del>
<del>8.7 INFRINGEMENT OF APPLICABLE LAW.....</del>	<del>9</del>
<u>1. Disciplinary Proceedings.....</u>	<u>1</u>
<u>1.1 Scope of this Procedure.....</u>	<u>1</u>
<u>1.2 Investigation Procedure.....</u>	<u>1</u>
<u>1.3 Immediate Measure.....</u>	<u>6</u>
<u>1.4 Sanctions.....</u>	<u>7</u>
<u>1.5 Disputing a decision.....</u>	<u>8</u>
<u>1.6 Reporting and publication.....</u>	<u>8</u>
<u>1.7 Infringement of Applicable Law.....</u>	<u>8</u>

## DISCIPLINARY PROCEEDINGS

### SCOPE OF THIS PROCEDURE

#### 1. DISCIPLINARY PROCEEDINGS

##### 1.1 Scope of this Procedure

All Clearing Members are subject to Disciplinary Proceedings pursuant to Section 85 of these Procedures (the "~~Disciplinary Proceedings~~").

Any alleged breach by a Clearing Member of an obligation set out in the Rulebook (the "~~Alleged Breach~~") may be dealt with in accordance with the provisions of ~~these Disciplinary Procedures~~ this Section 5.

~~These Disciplinary Procedures~~ The disciplinary procedures contained in this Section 5 are without prejudice to:

- (a) any action and/or measures that may be taken by the Clearing House based on any other procedure set out in the Rulebook including, without limitation, the right of the Clearing House to issue a Default Notice under the Default Rules;
- (b) the Clearing House's right to take no action where it considers that taking action would be disproportionate, or otherwise, in its discretion; and
- (c) any provision of ~~Applicable Law~~ applicable law concerning enforcement by ~~the~~ a Regulatory Body.

### INVESTIGATION PROCEDURE

#### 1.2 Investigation Procedure

Subject to the provisions of ~~Paragraph 8.3~~, Section 1.3 (Immediate Measure), the investigation of an Alleged Breach pursuant to these Disciplinary Proceedings shall be handled in accordance with this ~~Paragraph 8.2~~, Section 1.2.

##### *Opening of the Investigation Procedure*

- (a) : When the Clearing House commences proceedings to investigate an Alleged Breach:
  - (i) the Clearing House shall send a written notice to the Clearing Member, setting out the details of the Alleged Breach, including a summary of the facts relied on in sufficient detail for a reasonable person in the Clearing Member's position to be able to properly understand and to respond to the allegations made against it;
  - (ii) the Clearing House shall identify a suitably senior representative of any entity of the LCH.Clearnet ~~group organisation~~ Group that shall lead the investigation procedure on behalf of the Clearing House and shall inform the Clearing Member as to who this representative will be in



the written notice which is sent in accordance with sub-paragraph (i) above;

(iii) Following receipt of the written notice sent in accordance with sub-paragraph (i) above, the Clearing Member shall be permitted to (x) raise objections in writing to the Alleged Breach of which it has been notified and/or (y) raise objections to the identity of the representative that is to lead the investigation procedure, on grounds of conflicts of interest, within 48 hours. Where an objection is raised, either the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House shall discuss the perceived conflict of interest with the Clearing Member within 24 hours and shall make a decision on whether an alternative representative needs to be identified for the purposes of sub-paragraph (ii) above;

(iv) the Clearing Member shall be required to provide any information, copies or records and documents that may be reasonably requested, in connection with the examination of the Alleged Breach, to the Clearing House, save that the Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of ~~Applicable Law~~applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the Clearing Member shall provide the Clearing House with proof of such prohibition). The Clearing Member is permitted to request that the Clearing House provides to it copies of the documentation it relies on during the investigation, provided that the Clearing House shall not be required to reveal any information which it deems to be confidential;

~~(iv)~~(v) the Clearing House may send a representative (being either the representative identified as leading the investigation procedure on behalf of the Clearing House or another representative) to the Clearing Member's offices at any time during normal business hours, having provided reasonable notice (~~being~~ proportionate to the seriousness of the Alleged Breach) to the Clearing Member as part of the investigation procedure. The Clearing Member shall only be entitled to refuse access to such representative in the event of a substantiated conflict of interest. The Clearing Member shall make available all information, records, and documents kept by the Clearing Member, that may be reasonably required for the examination of the Alleged Breach, to the Clearing House's representative; and

~~(v)~~(vi) the Clearing Member shall exercise best endeavours to procure the attendance of any of its directors, officers, employees, agents and representatives, as may be reasonably requested, at a specified time on reasonable notice (at either the offices of the Clearing House or at those of the Clearing Member) in order to answer questions or to provide explanations that may be relevant for the examination of the Alleged Breach.

## Report

(b) : Following the conclusion of the investigation procedure, the Clearing House shall: ~~(i)~~ notify the Clearing Member; and ~~(ii)~~ produce a written report (the "Report") in relation to the Alleged Breach and provide it to the Clearing Member, within no more than 14 days ~~as~~ from the notification by the Clearing House of the conclusion of the investigation procedure.

The Report shall contain the findings of the investigation, reference the provision of the Rulebook allegedly breached by the relevant Clearing Member and indicate the Clearing House's intended course of action in relation to the Alleged Breach, being either:

~~(vi)~~(i) to proceed with Disciplinary Proceedings, in accordance with ~~these Disciplinary Procedures~~this Section 5, if the Clearing House believes that there ~~to be~~ prima facie evidence of the Alleged Breach having been committed;

~~(vii)~~(ii) to discontinue these Disciplinary Proceedings and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rulebook if the Clearing House believes that there ~~to be~~ prima facie evidence of the Alleged Breach having been committed but the sanctions set out in ~~Paragraph 8.4~~Section 1.4 (Sanctions) of ~~these Disciplinary Procedures~~this Section 5 are, in the Clearing House's reasonable opinion, inadequate; or

~~(viii)~~(iii) to take no further action.

#### *Disciplinary Committee Formation*

(c) : Where the Clearing House determines that it wishes to proceed with Disciplinary Proceedings in accordance with ~~Paragraph 8.2(b)(i)~~paragraph (b)(i) of Section 1.2 (Investigation Procedure) above, it will convene a "Disciplinary Committee" consisting of:

(i) The Chairman of the Risk Committee of the Clearing House, or his representative;

(ii) The Chief Compliance Officer of the Clearing House, or his representative;

(iii) The Chief Risk Officer of the Clearing House, or his representative, and

(iv) Two members of the Executive Committee of LCH.Clearnet Group ~~Limited~~.

Details of the precise composition of the Disciplinary Committee shall be provided to the Clearing Member as part of the Report, as appropriate.

#### *Clearing Member Response*

(d) : The Clearing Member shall respond to the Disciplinary Committee, within 14 days of receiving a Report which indicates that the Clearing House intends

to proceed with Disciplinary Proceedings, providing a statement of defence responding to the allegations.

If no response has been received by the Disciplinary Committee within 14 days or such extended period as has been agreed between the Clearing Member and the Disciplinary Committee, the Clearing House shall be relieved of its obligations to follow the remaining steps of the investigation procedure (as set out in ~~Paragraph~~ paragraph (e) below of this Section 8.2(e) below) and the Disciplinary Committee may instead make a determination in respect of the Alleged Breach and issue its Recommendation to the Clearing House as provided for in ~~Paragraphs 8.2 paragraphs~~ (g) and 8.2(h) of this Section 1.2 below.

### *Exploratory Meetings*

(e): Once the Clearing Member has responded to the Report, either the Clearing Member or the Disciplinary Committee can, within 7 days, request a meeting with the other party to ask further questions and discuss the Alleged Breach (the ~~“Meeting”~~ “Meeting”).

Unless otherwise agreed between the Clearing Member and the Disciplinary Committee, the Meeting will be held at the Clearing House's offices in London, provided that, if appropriate, the Meeting may take place at the Clearing House's offices in New York, within 14 days from the request for a Meeting.

The Disciplinary Committee and the relevant Clearing Member are each entitled to bring to the Meeting any person relevant to the Disciplinary Proceedings which includes but is not limited to the following:

~~(ix)~~ (i) relevant experts;

~~(x)~~ (ii) legal advisors; and

~~(xi)~~ (iii) accounting advisors.

~~the~~ The Clearing House and/or the Clearing Member shall only be entitled to object to the attendance by any of the above if there is a substantiated conflict of interest.

The Disciplinary Committee shall, in addition, invite the Clearing House representative that led the investigation procedure to attend the Meeting.

The Disciplinary Committee shall, subject to the provisions of these Disciplinary Proceedings, decide upon its own procedure for conducting the Meeting and considering and determining the matters to be discussed in the course of the Meeting, on the basis of the Report, the Clearing Member's response to the Report, and such other information and documentation as the Disciplinary Committee considers appropriate. A secretary will be appointed to keep minutes of the Meeting.

The Disciplinary Committee may reasonably request further or other documentation and information from the Clearing Member, save that the Clearing Member shall not be compelled to disclose any information which it is prohibited from disclosing by virtue of ~~Applicable Law~~applicable law or regulation, as a result of agreements signed with third parties or as a result of legal professional privilege (in which case the Clearing Member shall provide the Clearing House with proof of such prohibition).

The matters discussed at the Meeting are confidential. The Disciplinary Committee and the Clearing Member must ensure that any persons attending the Meeting are subject to a confidentiality agreement.

To ensure the efficiency of the Meeting, neither the Disciplinary Committee nor the Clearing Member shall bring more than six representatives, unless otherwise agreed.

#### *Determination*

(f) : Having considered the Report, the Clearing Member's response to the Report, any other information and documentation provided to the Disciplinary Committee in accordance with ~~Paragraph 8.2(e) above and~~paragraph (e) above of this Section 1.2 and having conducted the Meeting, the Disciplinary Committee must determine whether, in its view, the Alleged Breach has been committed.

The Disciplinary Committee shall make its determination, in accordance with this ~~Paragraph 8.2~~paragraph (f), by a majority of the attendees, provided that no determination shall be made without a quorum of three (3) Disciplinary Committee members being in attendance.

In the event of a tie, the Chairman shall have a casting vote.

For the avoidance of doubt, the Disciplinary Committee shall not be bound to comply with any rule of ~~Applicable Law~~applicable law or court procedure in respect of the admissibility of evidence and may, in its discretion, accept, any finding of fact by:

- (i) a relevant Regulatory Body;
- (ii) a ~~Governmental Authority~~governmental authority; or
- (iii) the courts of England and Wales in connection with a ~~D~~dispute.

#### *Recommendation*

(g) : Within 7 days of the later of:

- (i) the Clearing Member's response to the Report; and
- (ii) the date of the Meeting, if applicable,

the Disciplinary Committee shall communicate its determination, made in accordance with ~~Paragraph 8.2(f)~~paragraph (f) above, of this Section 1.2, to the Clearing House (the ~~"Recommendation"~~").

The Disciplinary Committee shall set out in its Recommendation the grounds on which the Disciplinary Committee has determined that the Alleged Breach has or has not been committed and its proposal as to the sanctions, if any, that should be imposed by the Clearing House upon the Clearing Member pursuant to ~~Paragraph 8.4 of these Disciplinary Procedures~~Section 1.4 (Sanctions) of this Section 5.

~~This Paragraph 8.2(g)~~This paragraph (g) is without prejudice to the rights of the Disciplinary Committee to recommend that these Disciplinary Proceedings be discontinued and refer the matter to the Chief Executive Officer of the Clearing House to take action in accordance with the provisions of the Rulesbook if the Disciplinary Committee has determined that the Alleged Breach has been committed but the sanctions set out in ~~Paragraph 8.4~~Section 1.4 (Sanctions) of these Disciplinary Proceduresthis Section 5 are, in the Disciplinary Committee's reasonable opinion, inadequate.

#### *Decision Notice*

(h) : Following receipt of a Recommendation, pursuant to ~~Paragraph 8.2(g)~~paragraph (g) above, of this Section 1.2, the Clearing House must decide whether or not to sanction the Clearing Member in accordance with ~~Paragraph 8.4 of these Disciplinary Procedures~~Section 1.4 (Sanctions) below of this Section 5 or otherwise in accordance with the provisions of the Rulesbook.

For the avoidance of doubt, the Clearing House shall not be bound by the terms of the Recommendation of the Disciplinary Committee.

A decision by the Clearing House in accordance with this ~~Paragraph 8.2~~paragraph (h) will be made by the Chief Executive Officer of the Clearing House or another suitably senior executive of the Clearing House.

Within 14 days of receiving a Recommendation, the Clearing House must notify the Clearing Member of its decision by registered mail to the address notified to the Clearing House in its admission application (the ~~"Decision Notice"~~").

A Decision Notice shall include details of the grounds on which the Clearing House has come to its decision and the sanction(s), if any, to be imposed against the Clearing Member by the Clearing House pursuant to ~~Paragraph 8.4~~Section 1.4 (Sanctions) below or otherwise in accordance with the provisions of the Rulesbook.

#### *Action*

(i) : Notwithstanding any decision by the Clearing House to convene a Disciplinary Committee and to proceed with Disciplinary Proceedings in

accordance with ~~Paragraphs 8.2(e) to 8.2(i)~~ paragraphs (c) to (i) of this Section 1.2 above, the Clearing House may at any time choose to:

- (i) discontinue the Disciplinary Proceedings;
- (ii) determine that, in light of the relevant facts and circumstances, no sanction should be imposed upon the relevant Clearing Member pursuant to ~~Paragraph 8.4~~Section 1.4 (*Sanctions*) below or otherwise in accordance with the provisions of the Rulesbook;
- (iii) take alternative action in accordance with the provisions of the Rulesbook (including, without limitation, suspension or termination of the Clearing Member's membership of the Clearing House pursuant to the Rulebook and/or the issuance of a Default Notice in respect of such Clearing Member in respect of the Clearing Member pursuant to the Default Rules), in which case the Clearing House shall be deemed to have instituted Disciplinary Proceedings in respect of the Alleged Breach; or
- (iv) amend the scope of matters being considered by the Disciplinary Committee by amending the Report to add, delete or alter any detail of the Alleged Breach or to add detail of an additional Alleged Breach. For the avoidance of doubt, where the Report is amended in this way, the provisions of this ~~Paragraph 8.2~~Section 1.2 will apply (and, unless otherwise agreed between the Clearing Member and the Disciplinary Committee, any timing specified in this ~~Paragraph 8.2~~Section 1.2 will restart) in respect of the amended Report.

## IMMEDIATE MEASURE

### 1.3 Immediate Measure

Where the Alleged Breach comprises of a breach of:

- (a) any of a Clearing Member's obligations set out in the Rulebook when such breach constitutes a threat to the integrity or safety of the Clearing House or increases the risk exposure of the Clearing House or other Clearing Members;
- (b) a Clearing Member's obligation to satisfy the relevant membership criteria pursuant to Section 1 (*Clearing Member and Dealer Status*) of the Procedures;
- (c) a Clearing Member's obligation to provide information and reporting to the Clearing House pursuant to Section 1 (*Clearing Member and Dealer Status*) of the Procedures;
- (d) a Clearing Member's obligations to submit its clearing activity to audits and inspections pursuant to Section 1 (*Clearing Member and Dealer Status*) of the Procedures;
- (e) a Clearing Member's obligations to satisfy its record keeping requirements pursuant to Section 1 (*Clearing Member and Dealer Status*) of the Procedures;



(f) a Clearing Member's obligation to transfer Collateral to the Clearing House by the required time in accordance with Regulation ~~12~~20 (*Margin and Collateral*) of the Rulebook and Section 3 (*Financial Transactions*) of the Procedures,

the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House shall be entitled at their sole discretion to; (a) issue a letter to the relevant Clearing Member, reminding such ~~Member~~ Member of their obligations under the Rulebook or (b) impose a fine on the Clearing Member in accordance with ~~Paragraph 8.4, Section 1.4 (Sanctions)~~, without being required to follow the procedure set out in ~~Paragraph 8.2 Section 1.2 (Investigation Procedure)~~ above. In such circumstances the Clearing House must notify the Clearing Member of its decision and the sanction that is to be imposed by way of a Decision Notice.

## SANCTIONS

### 1.4 Sanctions

The Clearing House shall be entitled, in its absolute discretion, to impose the following sanctions against a Clearing Member, pursuant to ~~these Disciplinary Procedures~~ this Section 5, provided that any such sanction is proportionate and commensurate with the seriousness of the Alleged Breach:

- (a) to impose a fine or require the Clearing Member to make any other form of payment in an amount which it considers appropriate;
- (b) public censure, by way of publishing all or part of the decision taken by the Clearing House pursuant to Disciplinary Proceedings on the ~~Website~~ website of the Clearing House;
- (c) suspension for a fixed period, as determined by ~~LCH.Clearnet Limited~~ the Clearing House in its sole discretion ~~from anyone~~ of one or all of the clearing services offered by the Clearing House;
- (d) issuance of a private warning or reprimand;
- (e) termination of the Clearing Membership Agreement; and/or
- (f) any combination of the above.

## DISPUTING A DECISION

### 1.5 Disputing a decision

Where a Clearing Member wishes to dispute the Clearing House's<sup>2</sup> decision to impose sanctions listed in ~~Paragraph 8.3~~ Section 1.3 (Immediate Measure) or ~~8.4, 1.4 (Sanctions)~~, a Clearing Member may, within 28 days (or such longer period as the Chief Executive Officer of the Clearing House or the Chief Compliance Officer of the Clearing House may, at their discretion, direct) of receiving the Decision Notice in accordance with ~~Paragraph 8.2(h)~~ Paragraph 1.2(h) of Section 1.2 (Investigation Procedure) or ~~8.3, 1.3 (Immediate Measure)~~, file an Appeal in accordance with Section ~~4~~7 of the Procedures. In the event that the Clearing Member does not lodge an appeal within the relevant timeframe, the decision rendered by the Clearing House

in connection with the Alleged Breach shall be final and binding. In the event that the Clearing Member does lodge an appeal, the results of the appeal process shall be final and binding.

## ~~REPORTING AND PUBLICATION~~

### 1.6 Reporting and publication

The Clearing House shall:

- (a) report on its monitoring procedures in respect of the Rulebook, compliance and breaches of the Rulebook to its Regulatory Body pursuant to ~~Applicable Law~~ applicable law and/or on the basis of any arrangements between the Clearing House and any Regulatory Body;
- (b) immediately notify the Regulatory Body of a decision to suspend or terminate a Clearing Member's membership rights or ~~declare to issue~~ a Default Notice in respect of a Clearing Member ~~to be subject to an Event of Default~~ (in each case in accordance with the Rulebook); ~~and~~
- (c) prepare and publish a general report on the application of these Disciplinary Proceedings, from time to time but at least once a year, provided however that only the details of those Clearing Members who have defaulted or whose membership rights have been suspended or terminated by the Clearing House shall be disclosed; ~~and~~

## ~~INFRINGEMENT OF APPLICABLE LAW~~

- (d) be entitled to publish (i) breaches by its Clearing Members of the criteria for Clearing Member status pursuant to the Clearing Membership Agreement, as prescribed for in the Rulebook; and (ii) breaches by its Clearing Members for not disclosing the prices and fees of each of the Services separately (including any applicable discounts and rebates and the conditions to benefit from them).

### 1.7 Infringement of Applicable Law

If the Clearing House finds, in the course of the investigation procedure, or otherwise, serious indications of a possible infringement of ~~Applicable Law~~ applicable law, it shall report the matter to the relevant Regulatory Body as soon as possible.



**SECTION 10**

**CONTENTS**

<del>10. BUSINESS RECOVERY</del> .....	<del>2</del>
<del>10.1 RECOVERY SITUATIONS</del> .....	<del>2</del>
<del>10.2 RECOVERY SITUATIONS AFFECTING MEMBERS' OFFICES</del> .....	<del>2</del>
<del>10.3 ALDGATE HOUSE EVACUATION</del> .....	<del>2</del>
<del>10.4 CLEARING HOUSE DATA CENTRE</del> .....	<del>5</del>
<del>10.5 COMPLIANCE WITH BUSINESS CONTINUITY TESTING</del> .....	<del>5</del>

~~BUSINESS RECOVERY~~

~~RECOVERY SITUATIONS~~

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~~The Procedures set out in this section are intended to provide Clearing Members with a guide to the changes in working~~

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~~DUE TO THE UNCERTAIN NATURE OF THE EVENTS WHICH WOULD LEAD TO THE NEED FOR BUSINESS RECOVERY THE CLEARING HOUSE RESERVES THE RIGHT TO DEPART FROM THESE PROCEDURES TO MEET THE CHARACTERISTICS OF SPECIFIC BUSINESS RECOVERY SITUATIONS.~~



LCH.CLEARNET LIMITED

PROCEDURES SECTION 6

BUSINESS CONTINUITY

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## CONTENTS

<u>Section</u>	<u>Page</u>
<u>1. BUSINESS CONTINUITY .....</u>	<u>1</u>
<u>1.1 Recovery Situations.....</u>	<u>1</u>
<u>1.2 Recovery Situations affecting Members' Ability to Perform Clearing Activities.</u>	<u>1</u>
<u>1.3 Principal Office Evacuation .....</u>	<u>1</u>
<u>1.4 Clearing House Data Centre.....</u>	<u>4</u>

## 1. BUSINESS CONTINUITY

### 1.1 Recovery Situations

The Procedures set out in this Section are intended to provide Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("Business Continuity Plans").

Due to the uncertain nature of the events which would lead to the need for business recovery the Clearing House reserves the right to depart from these Procedures to meet the characteristics of specific business recovery situations.

These procedures provide for the evacuation or decommissioning of ~~Aldgate House~~its principal office. The procedures detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

### ~~RECOVERY SITUATIONS AFFECTING MEMBERS' OFFICES~~

### 1.2 Recovery Situations affecting Members' Ability to Perform Clearing Activities

#### *During Office Hours*

1.2.1 : Clearing Members that are unable to ~~gain access to their principal office accommodation~~perform clearing activities and as a result require the Clearing House's assistance should contact their usual contact at the Clearing House or the Help Desk on +44 (0)20 7426 7200.

#### *Outside Office Hours*

1.2.2 : Clearing Members should telephone the Clearing House on **+44 (0)20 7426 7545**, leaving the following information:

Name:  
Company Name:  
Contact Telephone Number:  
Brief Details of the Nature of the Problem:

A member of the Clearing House operational staff will then make contact regarding any assistance that can be given.

### ~~ALDGATE HOUSE EVACUATION~~

## 1.3 Principal Office Evacuation

### *Communicating with Clearing Members*

1.3.1 : Should the Clearing House be forced to evacuate ~~Aldgate House~~its principal office it will need to inform its Clearing Members as soon as practicable. The following ~~s~~Sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated to Clearing Members by the following methods:

- ~~• broadcast messages on TRS/CPS, and LME Matching and Clearing;~~
  - ~~• facsimile transmissions to Clearing Members designated fax machines;~~
  - ~~• posting messages on [www.lchclearnet.com](http://www.lchclearnet.com);~~
  - posting messages on the [following Member Information Line](#) toll free number 0800 1 69 69 09; (primary method);
  - ~~• Joint Exchange Committee (JEC) Incident Information Exchange hosted by Euronext Liffe.~~
- [via Clearing House messaging, where applicable;](#)
- [posting messages on \[www.lchclearnet.com\]\(http://www.lchclearnet.com\).](#)

Some of the above communications ~~s~~ methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing Clearing Members with progress reports following an initial broadcast message.

### ~~Evacuation of Aldgate House~~

~~If it is necessary for the Clearing House to evacuate Aldgate House, and if re-entry to the building is unlikely within thirty minutes, Clearing Members will be informed by disseminating the following message using the methods described in section 10.3.1 above.~~

~~“The Clearing House has been forced to evacuate Aldgate House. Please refer to Clearing House Procedures – Business Continuity Arrangements for further information.”~~

~~At this time all of the activities normally carried out at Aldgate House will have ceased, if only temporarily. Clearing Members will be kept informed of developments as further details become available.~~

**~~Please note that the reason for broadcasting the above message is to provide Clearing Members with early notification of an evacuation of Aldgate House. At this stage no decision will have been taken to invoke Business Continuity~~**

**Plans. See section 10.3.3 below for advice on how Clearing Members will be notified of an invocation of the recovery plan.**

### *Invoking of Business Continuity Plans*

1.3.2 : The Clearing House is contracted with ~~a~~ specialist providers for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the providers stipulates that dedicated work area recovery positions will be available immediately. ~~Syndicated recovery positions will be available within four hours of invocation.~~

Depending on the severity of an incident a full or partial invocation of the service may be required.

In the event of a metropolitan incident, critical clearing services will be handed over to another region in order to meet regulatory deadlines.

### *Limited Invocation*

1.3.3 : If the Clearing House's assessment of the incident suggests that reoccupation of ~~Aldgate House~~ its principal office will be possible within two hours, then it is likely that only the mission critical activities (~~("MCA")~~) will be recovered to the recovery site. All other activities will cease until ~~Aldgate House~~ its principal office becomes available.

The following message will be posted: in accordance with paragraph 1.3.1:

"The Clearing House has invoked ~~business continuity plans~~ Business Continuity Plans for its MCA's. Please refer to the Clearing House's Procedures - Business Continuity ~~Arrangements~~ for further information."

Additional messages may be provided to Clearing Members of particular Services.

### *Full Invocation*

1.3.4 : Once a decision has been taken to proceed with full invocation of ~~business continuity plans~~ Business Continuity Plans Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in ~~section 10.3.1~~ Section 1.3.1 (Communicating with Clearing Members) above.

"The Clearing House has invoked all ~~business continuity plans~~ Business Continuity Plans. Please refer to the Clearing House's Procedures - Business Continuity ~~Arrangements~~ for further information."

Additional messages may be provided to Clearing Members of particular Services.

It is anticipated that a maximum period of ~~approximately~~ two hours will elapse between the invocation of full ~~business continuity plans~~ Business Continuity

Plans and the relocation of recovery teams. During this time most of the activities normally carried out at ~~Aldgate House~~ its principal office will cease.

Please note that the Clearing House's primary data centre is not located at ~~Aldgate House~~ its principal office and so an evacuation of the ~~site~~ principal office will not affect Clearing Members' ability to access IT applications. If the two main data centres are impacted by an incident, a failover will occur to the third (recovery) data centre.

### *Delivery Deadlines*

1.3.5 : If the incident occurs close to delivery deadline(s), Clearing Members will, on a reasonable endeavours basis, be notified, as appropriate through ~~TRS/CPS or LME Matching and Clearing~~ available reporting channels, of any amendment to the delivery procedures.

### 10.3.7 1.3.6 *Imminent Expiry of Options*

**Clearing Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a ~~'reasonable endeavours'~~ 'reasonable endeavours' basis. If an evacuation of ~~Aldgate House~~ its principal office coincides with an option expiry, this assistance may cease.**

If the Clearing House's invocation of Business Continuity Plans coincides with an option expiry, the notification of Clearing Members' option allocations and the deadline for the entry of option exercises may be delayed.

### *Collateral*

1.3.7 : In order to simplify the Treasury process, it is likely that a number of routine Treasury Procedures may be amended or suspended. The Clearing House will advise Clearing Members of these changes, through ~~TRS/CPS and LME Matching and Clearing~~ available reporting channels, as necessary. These may include but are not limited to:

- the acceptance/release of securities and guarantees;
- the conversion of currencies; and
- the ability to cover liabilities using Collateral denominated in other currencies.

### *Registration of Contracts*

1.3.8 : The Clearing House will register new business in accordance with the ~~Clearing House procedure in section 2A.5.3~~ relevant Procedures. However,

the Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary: in accordance with the Business Continuity Plans. In the event that registration is to be delayed the Clearing House will notify Clearing Members as soon as practically possible.

#### *New Address for Document Delivery*

1.3.9 : Following invocation of the ~~business continuity plans~~Business Continuity Plans the Clearing House will provide new address details for document delivery. ~~Will~~ The Clearing House will arrange to have its mail forwarded to its office recovery site.

#### *Permanent Change of Address*

1.3.10 : The Clearing House is able to occupy the recovery site for a maximum of ~~ninety~~180 consecutive days. If the incident is so serious that the Clearing House is unable to reoccupy ~~Aldgate House~~its principal office within this time period, Clearing Members will be informed of the proposed new office location and contact numbers prior to occupation of the premises. This information will be communicated via the methods described in ~~section 4.0.3.1~~Section 1.3.1 (Communicating with Clearing Members) above.

Clearing Members will be informed of the date when the new arrangements will take effect.

#### *Return to Normal*

1.3.11 : When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in ~~section 4.0.3.1~~Section 1.3.1 (Communicating with Clearing Members) above. Assuming that it has been possible to return to ~~Aldgate House~~its principal office the following message will be broadcast.

"The Clearing House has returned to ~~Aldgate House~~its principal office. Please revert to normal contact telephone numbers and procedures."

If normal working is being resumed at a site other than ~~Aldgate House~~its principal office Clearing Members will already have been informed of the new office location and contact numbers (see ~~section 4.0.3.1~~Section 1.3.10 (Permanent Change of Address) above). The following message will be broadcast.

"The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied."

#### ~~CLEARING HOUSE DATA CENTRE~~

~~Failure of LCH's~~Additional messages may be provided to Clearing Members of particular Services.



#### 10.4.1.4 **Clearing House Data Centre**

1.4.1 *Failure of LCH's Data Centre:* If the Clearing House's primary data centre fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the secondary data centre.

1.4.2 *Failure of LCH's Secondary Data Centre:* If following a failure of the primary data centre, the Clearing House's secondary data centre fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the tertiary data centre.

#### 10.5.1.5 **Compliance with Business Continuity Testing**

Clearing Members are required to participate in the Clearing House's Business Continuity Planning (BCP) coordination and testing programs, ~~as required by CFTC Regulation § 39.18.~~ The Clearing House will notify Clearing Members when it intends to carry out any such test via a member circular and via a posting on [www.lchclearnet.com](http://www.lchclearnet.com), at least 90 days in advance. The Clearing House will, prior to the date of any such test, provide Clearing Members with further details of the steps that will be required under the relevant program.

**SECTION 11**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 7**

**APPEAL PROCEDURES**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<b>11.— APPEAL PROCEDURES .....</b>	<b>2</b>
11.1— Introduction .....	2
11.2— Decisions in respect of which an appeal may be lodged .....	2
11.3— Initiating an appeal .....	3
11.4— The first tier appeal.....	3
11.5— THE Second tier Appeal.....	5
11.6— Requests for review .....	7
11.7— Market disorders etc and Default .....	8
<b>APPENDIX 11A.....</b>	<b>9</b>
<b>APPEAL FORM.....</b>	<b>9</b>
<b>APPENDIX 11B .....</b>	<b>11</b>
<b>NOTICE OF FURTHER APPEAL.....</b>	<b>11</b>
<b>1. <u>Appeal Procedures.....</u></b>	<b><u>1</u></b>
<u>1.1 Introduction .....</u>	<u>1</u>
<u>1.2 Decisions in respect of which an appeal may be lodged .....</u>	<u>1</u>
<u>1.3 Initiating an appeal .....</u>	<u>2</u>
<u>1.4 The first tier appeal.....</u>	<u>3</u>
<u>1.5 The second tier appeal .....</u>	<u>4</u>
<u>1.6 Requests for review .....</u>	<u>6</u>
<u>1.7 Market disorders etc and Default .....</u>	<u>6</u>
<u>Schedule 1 Appeal Form.....</u>	<u>7</u>
<u>Schedule 2 Notice of Further Appeal.....</u>	<u>9</u>

## APPEAL PROCEDURES

### 1. APPEAL PROCEDURES

#### 11.1.1 Introduction

These Procedures describe how a Member or, in certain cases, a RepoClear Dealer or SwapClear Dealer or other non-member, may appeal against a decision of the Clearing House ~~(that is, LCH.Clearnet Limited).~~

It should be noted that no appeal may be lodged to the Clearing House in respect of any decision of any other member company of the LCH.Clearnet Group (including LCH.Clearnet ~~SA~~ S.A.).

#### 11.2.1.2 Decisions in respect of which an appeal may be lodged

11.2.1.2.1 A Member may appeal against any of the following decisions made by the Clearing House:

- (a) a decision that the Member does not meet the criteria for extension of its clearing relationship with the Clearing House;
- (b) a decision by the Clearing House to rescind that Member's eligibility to have contracts of a certain category or categories registered in its name;
- (c) a decision by the Clearing House to terminate that Member's Clearing Membership Agreement other than when such decision occurs in connection with the operation by the Clearing House of its Default Rules and Procedures;
- (d) a Decision Notice issued under the Clearing House's Disciplinary Procedures.

11.2.2.1.2.2 An undertaking which is not a Member may appeal to an Appeal Committee against any of the following decisions made by the Clearing House:

- (a) a decision to decline to grant Member status to that person;
- (b) a decision to decline to admit that undertaking to the register of RepoClear Dealers, providing that there is a Member willing and able to enter into a RepoClear Dealer Agreement with that undertaking and the Clearing House at the time of the decision;
- (c) a decision to decline to admit that undertaking to the register of SwapClear Dealers providing that there is a Member willing and able to enter into a SwapClear Dealer Agreement with that undertaking and the Clearing House at the time of the decision;
- (d) a decision to decline to admit that undertaking to the register of ~~EquityClear NCM's (including EquityClear NCMs (virt-x))~~ ForexClear Dealers providing ~~always~~ that there is a Member willing and able to

enter into ~~an EquityClear GCM/NCM~~ a ForexClear Dealer Agreement or ~~EquityClear GCM/LCH Agreement (virt x)~~, as the case may be, with that undertaking and the Clearing House at the time of the decision;

- ~~• a decision to refuse to enter into third party clearing agreement with a Member and a Designated Exchange (both of which must be willing and able to enter into such agreement at the time of the decision) and that person or undertaking. For the purposes of this Section 11 a Designated Exchange shall mean IPE, LIFFE, LME or the London Stock Exchange;~~
- (e) a decision to suspend or remove a RepoClear Dealer from the register of RepoClear Dealers;
- (f) a decision to suspend or remove a SwapClear Dealer from the register of SwapClear Dealers;
- (g) a decision to suspend or remove ~~an EquityClear NCM (including an EquityClear NCM (virt x))~~ a ForexClear Dealer from the register of ~~EquityClear NCMs~~ ForexClear Dealers.

~~44.2.3~~ 1.2.3 From time to time the Clearing House may amend the lists in this ~~section 11.2~~ Section 1 of decisions in respect of which appeals may be lodged.

### 44.3 1.3 **Initiating an appeal**

~~44.3.1~~ 1.3.1 An appeal to an Appeal Committee under this Section ~~11~~ 1 shall be commenced by sending a copy of the ~~APPEAL FORM~~ Appeal Form in the form set out in ~~Appendix 11A~~ Schedule 1 of ~~these Procedures~~ this Procedure to the Company Secretary of LCH.Clearnet Limited (~~“the Company Secretary”~~) at the registered office of the Clearing House.

~~44.3.2~~ 1.3.2 The ~~APPEAL FORM~~ Appeal Form must be fully completed in all material respects by the person lodging the appeal (~~“the appellant”~~) and must set out the grounds of the appeal and a brief statement of all matters relied upon by the appellant.

~~44.3.3~~ 1.3.3 The appellant must enclose with its ~~APPEAL FORM~~ Appeal Form payment of £500 which payment shall be returned if the appeal is subsequently upheld by the Appeal Committee or by the Appeal Tribunal ~~(as described in this Procedure)~~.

~~44.3.4~~ 1.3.4 An appeal may only be commenced under these Procedures within 28 days of the date upon which the decision to which it relates was notified to the appellant. The Chief Executive of the Clearing House has a discretion to waive this time limit if the appellant provides a satisfactory explanation for the delay and no prejudice would be caused to any person by proceeding with the appeal in the circumstances.

~~44.3.5~~ 1.3.5 The Company Secretary shall acknowledge receipt of the ~~APPEAL FORM~~ Appeal Form no later than 7 days after receipt.

~~41.3.6~~1.3.6 The Company Secretary may request further information or clarification relating to the subject matter or grounds of the appeal.

**11.4.1.4 The first tier appeal**

11.4.1.1 No later than 28 days from receipt of any ~~APPEAL FORM~~ Appeal Form the Company Secretary shall:

11.4.1.1(a) refer the appeal to an Appeal Committee comprising of:

- (i) the Chief Executive of ~~LCH.Clearnet Limited~~ or the ~~Deputy Chief Executive; and~~ Clearing House;
- (ii) two directors of the Clearing House, nominated by the Chairman of the Clearing House; and
- (iii) in the event that the appeal concerns any activity or proposed activity of the appellant in respect of a Designated Exchange, a person nominated by that Designated Exchange. Where the appeal concerns any activity or proposed activity on more than one Designated Exchange, the Appellant shall be invited to nominate which Designated Exchange shall be invited to nominate a person to the Appeal Committee;

11.4.1.2(b) notify the appellant in writing of the identify of the persons constituting the Appeal Committee; and

11.4.1.3(c) provide to the appellant copies of such documents and written representations as the Clearing House intends to place before the Appeal Committee for its consideration.

11.4.2 1.4.2 Following notification to the appellant in accordance with ~~11.4.1~~ Section 1.4.1 above, the appellant shall then have a period of 14 days to submit to the Appeal Committee such written representations and other documentation for the consideration of the Appeal Committee.— All representations and documentation shall be submitted in sufficient copies so that each member of the Appeal Committee shall have ~~a~~ one copy ~~each~~.

11.4.3 1.4.3 The Appeal Committee shall decide upon its own procedure for considering and determining the appeal ~~which~~. This will normally be done without an oral hearing but on the basis of the written representations and documents submitted by the appellant and such other information and documentation as the Appeal Committee considers appropriate. The Appeal Committee may extend the time for ~~the doing of~~ any act under this ~~paragraph~~ 11.4. Section 1.4.

11.4.4 1.4.4 The Appeal Committee may request further or other documentation and information from the appellant.

11.4.5 1.4.5 The Appeal Committee shall consider and determine the appeal as soon as reasonably practicable.

11.4.6 1.4.6 An Appeal Committee constituted pursuant to this ~~paragraph~~ 11.4 Section 1.4 shall promptly, and in any event, no later than 14 days after

coming to its determination, give notice of its reasoned determination to an appellant in writing ~~together with its reasons~~.

~~1.4.7~~ ~~11.4.7~~ The Appeal Committee may dismiss or allow the appeal in whole or in part and may confirm, increase or decrease any sanction imposed under the Disciplinary Procedures of the Clearing House upon such terms as it considers appropriate. If the appellant does not lodge an appeal of the determination of the Appeal Committee to the Appeal Tribunal in accordance with ~~sub-paragraph 11.5.2 of the procedures~~ Section 1.5.2 below, the determination of the Appeal Committee shall be final and binding on the parties.

#### 11.5.1.5 ~~THE Second~~ The second tier ~~Appeal~~

~~11.5.1~~ 1.5.1 If an appellant, having received notice of a determination of an appeal pursuant to ~~paragraph 11.4.6~~ Section 1.4.6 above, is not satisfied by such determination, it may appeal lodge a second tier appeal to an Appeal Tribunal.

~~11.5.2~~ 1.5.2 A second tier appeal may be commenced under this ~~paragraph 11.5~~ Section 1.5 by the submission of a ~~NOTICE OF FURTHER APPEAL~~ Notice of Further Appeal in the form set out in ~~Appendix 11B~~ Schedule 2 hereto to the Company Secretary at its registered office, setting out the grounds of the appeal and a brief statement of all matters relied upon by the appellant. Such ~~NOTICE OF FURTHER APPEAL~~ Notice of Further Appeal must be received by the Company Secretary no later than 14 days from the date upon which the notice of determination of the Appeal Committee was given to the appellant.

~~11.5.3~~ 1.5.3 An appeal under this ~~paragraph 11.5~~ Section 1.5 shall be heard by an Appeal Tribunal within 3 months of the Notice of Appeal being received by the Company Secretary, or such longer time as the Chairman of the Appeal Tribunal (the "Chairman") shall determine in order to provide a full and fair determination of the appeal.

~~11.5.4~~ 1.5.4 An Appeal Tribunal constituted under this ~~paragraph 11.5~~ Section 1.5 shall consist of 2 persons ~~(("Tribunal Members"),)~~, with relevant knowledge and experience in the industry of the matters in issue in the appeal, and a legally qualified Chairman. The appellant and the Clearing House may each select a Tribunal Member from a list of no less than 4 ~~persons~~ appropriately qualified persons nominated by ~~The~~ the Centre for Dispute Resolution (CEDR), London, ~~and the~~ The Chairman shall be nominated by CEDR. In the event that either the Clearing House or an appellant fails to nominate ~~such~~ a Tribunal Member before a date 2 weeks prior to the date fixed by the Chairman for the hearing of the appeal, then the Chairman shall nominate such Tribunal Member from the list referred to above. No person who served on the Appeal Committee which considered the appellant's first tier appeal shall be eligible to serve upon an Appeal Tribunal constituted in respect of that appellant's second tier appeal.

~~1.5.5~~ ~~11.5.5~~ The Appeal Tribunal shall determine the procedure of the appeal having regard to the following:-;



- (a) ~~The~~the appellant will open the appeal-;
- (b) ~~The~~the Clearing House may make submissions in response-;
- (c) ~~The~~the appellant may make closing submissions-;
- (d) ~~The~~the parties may, with the leave of the Appeal Tribunal, call witnesses, who may be cross-examined or re-examined on such terms as the Appeal Tribunal may deem appropriate-;
- (e) ~~The~~the Appeal Tribunal may admit evidence whether or not the same would be admissible in court and may have regard to such documents and information and matters as it considers fair and reasonable in all ~~the~~ circumstances.

~~44.5.5~~1.5.6 An Appeal Tribunal may invite any person (including the Clearing House) to provide written information or a written opinion with regard to any matter which forms the subject matter of an appeal.

~~44.5.6~~1.5.7 At the hearing an appellant may conduct its case itself through an employee, officer or other agent, or be represented by legal counsel ~~PROVIDED~~provided that if in any particular case an Appeal Tribunal is satisfied that there ~~is~~are good and sufficient reasons for doing so, it may refuse to permit a particular individual to represent an appellant at the hearing.

~~44.5.7~~1.5.8 An Appeal Tribunal may in its absolute discretion decline to entertain an appeal and shall dismiss such appeal where it considers the appeal to be frivolous or vexatious.

~~44.5.8~~1.5.9 An appellant shall pay its own costs and expenses in relation to an appeal. The Clearing House shall meet its own costs, those of the Tribunal Members and those related to the hearing other than costs and expenses incurred by the appellant.

~~44.5.9~~1.5.10 An Appeal Tribunal shall determine an appeal by majority vote although the voting of an Appeal Tribunal shall remain confidential and the result shall be presented as a unanimous view by that Appeal Tribunal. An Appeal Tribunal may:

- (a) ~~dismiss~~ the appeal; or
- (b) ~~uphold~~ the appeal in whole or in part.

~~44.5.10~~1.5.11 An Appeal Tribunal shall deliver a written statement of its decision together with its reasons to an appellant and the Clearing House as soon as is reasonably practicable. The Appeal Tribunal hearing shall be heard in private, unless the appellant elects to hold the hearing in public. The Clearing House may decide to publish the decision of the Appeal Tribunal on such terms as it considers fit.

~~44.5.11~~1.5.12 In the event that an Appeal Tribunal determines to uphold the appeal either in whole or part then the Clearing House shall within 28 days of the

receipt of the written decision, review and re-consider the decision upon which the appeal was based in the light of the conclusions of the Appeal Tribunal. The Clearing House agrees to be guided in reviewing its decision by the conclusions of the Appeal Tribunal.

**11.6.1.6 Requests for review**

~~11.6.4~~1.6.1 A Member who is aggrieved by any action taken by the Clearing House or decision of the Clearing House (other than any decision set out in ~~11.2~~Section 1.2 above or any decision taken under Regulation ~~2637~~ (Market Disorders, Impossibility of Performance, Trade Emergency) in ~~or~~, under or in connection with the Clearing House's powers under the Default Rules and Procedures) may, no later than 14 days after the date of the decision or action, request a review of such action or decision by the Chief Executive of the Clearing House.

~~11.6.2~~1.6.2 A Request for Review under this ~~11.6~~Section 1.6 shall be made in writing, shall be addressed to the Chief Executive of the Clearing House at the registered office and shall set out details of the relevant decision or action, the reasons why the Member is aggrieved and details of such reasonable remedial or other action or monetary payment as that Member requests to be carried out in the circumstances.

~~11.6.3~~1.6.3 The Chief Executive of the Clearing House shall consider the Member's Request for Review and such further or other documents and information as he considers reasonably relevant and shall notify the Member in writing of the outcome of his review within a period of 28 days from receipt by him of the Request for Review. Where it is not possible to complete such review within such period of 28 days, the Chief Executive of the Clearing House shall notify the Member accordingly and shall nominate a further period for the review, such period not to be longer than 3 months from the date of such notification to the Member.

**11.7.1.7 Market disorders etc and Default**

For the avoidance of doubt, the Clearing House shall be under no obligation to consider any Request for Review under ~~11~~Section 1.6 above or otherwise, or comply with the provisions of this Section ~~11.7 of this Procedure~~, and no appeal or Request for Review may be lodged under this Section ~~11.7 of this Procedure~~ or otherwise, in respect of any decision or action taken by the Clearing House under the provisions of Regulation ~~2637~~ (Market Disorders, Impossibility of Performance, Trade Emergency) or in respect of any decision, action or other matter arising out of or ~~connected to~~in connection with the operation of the Default Rules and Default Procedures and the Clearing House's powers thereunder.

**APPENDIX 11A**

**APPEAL FORM**

**SCHEDULE 1**  
**APPEAL FORM**

The Clearing House Appeal Procedures

Full Name of firm/company etc lodging the appeal ( <del>“(“the appellant”):</del> );	
Registered office address:	
Contact address and telephone number and email (if different from the above):	
Contact name:	
Position:	
Description of decision appealed against (see Section <del>11.2</del> 1.2 ( <i>Decisions in respect of which an appeal may be lodged</i> ) of Section 7 of the Clearing House Procedures):	
Date decision notified to appellant:	
Set out here the grounds for appeal and a brief statement of all facts and matters relied upon by the appellant (if there is not enough space, please use additional sheets and staple to this form);	
What action or remedy are you seeking?	

Pursuant to Section ~~11.3~~[1.3 \(Initiating an appeal\) of Section 7](#) of the Clearing House Procedures, we request that this appeal against the above mentioned decision of the Clearing House be referred to an Appeal Committee.

.....  
Signed for and on behalf of the appellant

.....  
(print name)

**Notes:**

Please enclose a cheque payable to LCH.Clearnet Limited drawn on a UK branch, in the sum of £500 sterling. If your appeal is successful this sum will be refunded to you.

If there are any written representations, any documentation or further material which you would like the Appeal Committee to consider when determining your appeal, you may send it with this Appeal Form if you wish. Alternatively you may send it in later. However, please note that the Procedures put a time limit on the submission of such material. ~~See Section 11.4.2~~[See sub-Section 1.41.4.2 \(The first tier appeal\) of Section 7](#) of the Clearing House Procedures.

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited on +44 (0)20 7426 7000.

~~APPENDIX 11B~~

~~NOTICE OF FURTHER APPEAL~~

**SCHEDULE 2**  
**NOTICE OF FURTHER APPEAL**

The Clearing House Appeal Procedures

*Note:* This form should only be used if you have had a determination of an Appeal Committee and you are now commencing a Second Tier Appeal under Section ~~11.5~~1.5.2 (*The second tier appeal*) of Section 7 of the Clearing House Procedures.

Full Name of firm/company etc lodging the appeal ( <del>("the appellant")</del> ):	
Registered office address:	
Contact address and telephone number and email (-if different from the above):	
Contact name:	
Position:	
Details of determination of Appeal Committee appealed against (see Section <del>11.5</del> <u>1.4.7</u> ( <i>The second tier appeal</i> ) of Section <u>7</u> of the Clearing House Procedures):  Please attach a copy of the Determination.	
Date of determination of the Appeal Committee:	
Set out here the grounds for appeal and a brief statement of all facts and matters relied upon by the appellant (if there is not enough space, please use additional sheets and staple to this form).	
What action or remedy are you seeking?	



Pursuant to Section ~~11.5~~1.5 (*The second tier appeal*) of Section 7 of the Clearing House Procedures, we request that an Appeal Tribunal be constituted to determine this appeal against the above mentioned determination of the Appeal Committee.

.....  
Signed for and on behalf of the appellant

.....  
(print name)

For any inquiries or further information please contact the Company Secretary, LCH.Clearnet Limited on +44 (0)20 7426 7000.

**SECTION 12**

**CONTENTS**

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**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 8**

**COMPLAINTS**

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**CONTENTS**

<u>Section</u>	<u>Page</u>
<del>12. COMPLAINTS .....</del>	<del>2</del>
<del>12.1 Introduction .....</del>	<del>2</del>
<del>12.2 How to make a complaint.....</del>	<del>2</del>
<del>12.3 Internal investigation and review by the clearing house .....</del>	<del>3</del>
<del>12.4 Referral to an independent investigator.....</del>	<del>3</del>
<del>12.5 Procedure for Dealing with the Complaint.....</del>	<del>4</del>
<del>12.6 Outcomes.....</del>	<del>5</del>
<u>1. Complaints.....</u>	<u>1</u>
<u>1.1 Introduction .....</u>	<u>1</u>
<u>1.2 How to make a complaint.....</u>	<u>1</u>
<u>1.3 Internal investigation and review by the Clearing House .....</u>	<u>2</u>
<u>1.4 Referral to an independent investigator.....</u>	<u>3</u>
<u>1.5 Procedure for Dealing with the Complaint.....</u>	<u>4</u>
<u>1.6 Outcomes.....</u>	<u>4</u>

## COMPLAINTS

### 1. COMPLAINTS

#### 12.1.1 Introduction

12.1.1.1 These Procedures describe how a person (~~“the Complainant”~~) who:

12.1.1.1(a) has a complaint about the conduct or behaviour or other actions of a Member with regard to that Member's clearing activities with ~~LCH~~ the Clearing House; or

12.1.1.1(b) has a complaint arising in connection with the performance of, or the failure to perform, any of the Clearing House's regulatory functions;

may make a formal complaint, and how that complaint will be investigated and resolved.

#### 12.2.1.2 How to make a complaint

12.2.1.2.1 A complaint with regard to the conduct or behaviour or other actions of a Member ~~in~~ with regard to that Member's clearing activities conducted through the Clearing House or a complaint regarding the performance of the Clearing House or its failure to perform any of its regulatory functions:

12.2.1.2.1(a) must be made in writing, be dated and addressed to the ~~Company Secretary~~ Chief Compliance Officer, LCH.Clearnet Limited at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, U.K.;

12.2.1.2.1(b) should set out, as far as possible, details of the conduct, behaviour or other actions complained of, date ~~(s)~~ and place ~~(s-it)~~ these occurred, the names of the person involved, the outcome sought, and any other relevant details;

12.2.1.2.1(c) must be made no later than 3 months after the conduct, behaviour or other actions complained of, or, if the conduct, behaviour or other actions complained of consists of a series of events, no later than 3 months after the end of the last such event;

12.2.1.2.1(d) must contain the full name and address of the ~~e~~ Complainant and, wherever possible the details of a contact telephone number and email address.

12.2.2.1.2.2 In submitting a complaint in accordance with these ~~p~~ Procedures the Complainant may submit such further and other documentation and material which he/she believes may be relevant.

12.2.3.1.2.3 Upon receipt of a written complaint pursuant to these Procedures, the ~~Company Secretary~~ Chief Compliance Officer of the Clearing House shall acknowledge in writing to the address shown in the letter of complaint, receipt

of the complaint. Such acknowledgment shall be made within 14 days of receipt of the letter of complaint. After receipt of a complaint in accordance with the procedure set out in this ~~s~~Section, the Clearing House shall conduct an internal investigation and review ~~of~~ such complaint in accordance with the procedures set out in ~~section 12.3~~ Section 1.3 (Internal investigation and review by the Clearing House) below.

~~12.3~~1.3 **Internal investigation and review by the ~~clearing house~~ Clearing House**

~~12.3.1~~1.3.1 No later than 14 days from receipt of a complaint of the type referred to in ~~section 12.1.1~~ Section 1.1 or ~~12.1.2~~1.2 above, the ~~Company Secretary~~ Chief Compliance Officer of the Clearing House shall refer the complaint, together with any supporting material provided by the Complainant, to an Investigation Committee.

~~12.3.2~~1.3.2 An Investigation Committee shall consist of any 3 of the following persons:

~~The Deputy~~ (a) the Chief ~~Executive~~ Compliance Officer;

~~(b) the Head of LCH.Clearnet Limited~~ Legal, London;

~~The Managing Director,~~ (c) the Group Head of Operations;

~~The Managing Director, Finance~~

~~The Managing Director, Business Development~~

~~Any~~ (d) any person holding the position of Executive Director or Managing Director at the Clearing House.

**providing always that** an Investigation Committee shall have at least one ~~Managing Director or of the Deputy~~ Chief ~~Executive~~ Compliance Officer or the Head of Legal, London among its number.

~~12.3.3~~1.3.3 The Investigation Committee established pursuant to this Section ~~12.1~~ shall conduct an investigation into the subject matter of the complaint and shall deliver its report to the Complainant and to the Chief Executive of ~~LCH.Clearnet Limited~~ the Clearing House within a period of 12 weeks from the referral to it of the complaint. The committee may make such recommendations as it deems fit for resolving the subject matter of the complaint. The committee may, if it so decides, make no recommendations if it considers such course of action to be appropriate in the circumstances. The report shall contain reasons for the committee's<sup>2</sup> decision.

~~12.3.4~~1.3.4 The costs of the internal investigation and review shall be borne by ~~LCH~~ the Clearing House.

1.3.5 Where the ~~Company Secretary~~ Chief Compliance Officer of the Clearing House receives a written complaint which is not a complaint regarding the conduct, behaviour or other actions of a Member in respect of its clearing activities with the Clearing House or that is not a complaint arising in

connection with the performance of, or the failure to perform, any of the Clearing House's regulatory functions but is nevertheless a complaint regarding a Member or regarding the conduct, behaviour or actions of an officer or employee or other staff member of the Clearing House, then such complaint shall be referred to the Chief Executive of ~~LCH.Clearnet Limited~~the Clearing House to be dealt with in accordance with the ~~REQUESTS FOR REVIEW~~Requests for Review procedure set out in Section 11.6 of Section 7 (*Appeals Procedures*) of these Procedures.

#### 12.4.1.4 **Referral to an independent investigator**

~~12.4.1~~1.4.1 In the event that the Complainant is dissatisfied with the outcome of the Internal Investigation and Review procedure set out in ~~section 12.3~~Section 1.3 above, or in the event that the Complainant does not receive the report of the Investigation Committee within 14 weeks of the submission of a complaint of the kind described in ~~section 12.1.1~~Section 1.1 and ~~12.1.2~~Section 1.2 above; (and provided ~~ing~~ed that the subject matter of the complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a complaint from that same Complainant) the Complainant may ask for the complaint to be referred to an Independent Investigator nominated in accordance with the procedure set out in ~~section 12.5~~Section 1.5 (*Procedure for dealing with the complaint*) below.

~~12.4.2~~1.4.2 A request for referral to an Independent Investigator shall be made in writing to the ~~Company Secretary~~Chief Compliance Officer of the Clearing House and shall be made no later than 2 weeks following notification to the Complainant of the report of the Investigation Committee or 16 weeks from the submission of the original complaint to the Clearing House in accordance with ~~section 12.2~~Section 1.2 (*How to make a complaint*).

~~12.4.3~~1.4.3 Within 14 days of receipt of a written request, in accordance with ~~section 12.4.2~~Section 1.4.2 above, the ~~Company Secretary~~Chief Compliance Officer of the Clearing House shall refer the complaint to an Independent Investigator; (as described below).

~~12.4.4~~1.4.4 An Independent Investigator shall be nominated for this purpose by The Centre for Dispute Resolution (~~("CEDR");~~), London. Such investigator shall be a person:

~~12.4.4.1~~(a) independent of ~~LCH.Clearnet Limited~~the Clearing House (for these purposes ~~"independent"~~"independent" shall mean that such person is not and has not been an officer, director or employee of ~~LCH.Clearnet Limited~~; ~~and~~the Clearing House);

~~12.4.4.2~~(b) with appropriate knowledge of how clearing ~~is~~is carried out by the Clearing House and of the Regulations (including the Procedures), and other relevant documentation, regulation and applicable law; ~~and~~and

~~12.4.4.3~~(c) with appropriate experience of the market activities in respect of which the complaint ~~is focused~~relates.

~~12.4.5~~1.4.5 The Clearing House shall be responsible for the payment of the fees and expenses of the Independent Investigator although this shall not give rise to any employment or other relationship between the Independent Investigator and the Clearing House, and shall not give rise to any duty between the Independent Investigator and the Clearing House other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of these Procedures.

~~12.4.6~~1.4.6 In the event, that for reasons beyond the reasonable control of the Clearing House, referral to an Independent Investigator is not made within the 2 week ~~day~~ period referred to in ~~12.4.3~~Section 1.4.3 above, then the ~~Company Secretary~~Chief Compliance Officer of the Clearing House shall notify the complainant in writing of the reasons for the delay.

### ~~12.5~~1.5 Procedure for ~~D~~dealing with the ~~C~~complaint

~~12.5.1~~1.5.1 Upon appointment, an Independent Investigator nominated in accordance with these Procedures, shall forthwith notify the Complainant and the Clearing House in writing of his appointment and shall invite the Complainant and the Clearing House to make such submissions and submit such documentation as each may wish within such timescale as the Independent Investigator may determine.

~~12.5.2~~1.5.2 The Independent Investigator shall determine his own procedure for considering the complaint referred to him, shall be guided by the requirements of fairness and ~~,and~~ may ~~do~~, inter alia, do any one or more of the following:

~~12.5.2.1~~(a) interview the Complainant;

~~12.5.2.2~~(b) interview a representative of the Clearing House;

~~12.5.2.3~~(c) seek further or other information from the Clearing House and/or the Complainant;

~~12.5.2.4~~(d) make such further or other reasonable inquiries as he/she deems fit in order properly and fully to investigate the ~~C~~complaint.

### ~~12.6~~1.6 Outcomes

~~12.6.1~~1.6.1 The Independent Investigator shall, wherever reasonably possible, conclude his/her investigation of a complaint referred to him/her under these Procedures, within a period of 2 months from the date of his/her nomination. Where it is not reasonably possible ~~so to do~~ ~~on account of~~so due to the nature or complexity of the matter referred to him/her or for other good reason, ~~then~~ he/she shall notify the Complainant and the Clearing House in writing of this fact and provide a further date for the completion of the investigation.

~~12.6.2~~1.6.2 The Independent Investigator shall, at the end of his/her investigation, produce a written report setting out his/her findings, conclusions, and reasons for his/her conclusions. - Such report shall be provided both to the Complainant and to the Clearing House but ~~it~~ shall not be made public unless the complaint is upheld in whole or in part and the Complainant so requests. In the event of

such request, the report shall be made public by being published on the ~~LCH.Cleernet Limited~~Clearing House's public website. Where only part of the complaint is upheld then only ~~that~~the part of the report relating to that part of the complaint shall be so published.

~~12.6.3~~1.6.3 In his written report the Independent Investigator may:

~~12.6.3.1~~(a) dismiss the complaint; ~~or~~

~~12.6.3.2~~(b) uphold the complaint in its totality; ~~or~~

~~12.6.3.3~~(c) uphold part of the complaint and dismiss part of the complaint;  
or

~~12.6.3.4~~(d) make such recommendations as he/she deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment and/or takes such action as may be reasonably practicable to remedy the cause of the complaint.



**LCH.Clearnet Rule Submission**

**Exhibit 10**  
**Fee schedule for EMIR Accounts**

# Proposed Annual Account Fees

A yearly fee will be charged for each ISA or OSA account as indicated in the table below.

	ISA	OSA Net	OSA Gross
Business	Fee	Fee	Fee
<i>Denominated in £</i>			
EnClear	£3,000	£1,000	£3,000
Equities	£3,000	£1,000	N/A
Derivatives	£3,000	£1,000	£3,000
LME	£3,000	£1,000	N/A
FEX*	£3,000	£1,000	£3,000
NLX	£3,000	£1,000	£3,000
Nodal Exchange	£3,000	£1,000	£3,000
RepoClear	£3,000	£1,000	N/A
LSE Derivative Markets	£3,000	£1,000	£3,000
<i>Denominated in €</i>			
ForexClear	€3,500	€3,500	0
SwapClear	€3,500	€3,500	0**

\*FEX service not yet live

\*\*For SwapClear only, the first OSA Gross is charged at €0/€0, subsequent OSA Gross arrangements will be charged at €3,500 per year LCH.Clearnet Ltd

**LCH.Clearnet Rule Submission**

**Exhibit 11**

**Black-line of changes to Settlement Finality Regulations**

## LCH.Clearnet Limited

### CLEARING HOUSE SETTLEMENT FINALITY REGULATIONS

#### Introduction

The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979) (~~the "SF Regulations"~~) implement the Settlement Finality Directive (Directive 98/26/EC) of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (~~the "SF Directive"~~).

The SF Directive seeks to reduce the risks associated with participation in payment and securities settlement systems by minimizing the disruption caused by insolvency proceedings brought against a participant in such a system. The protection provided by the SF Regulations is given to any system which has been designated as a "designated system" by the Financial Services Authority or the Bank of England as the ~~"designating authority"~~.

In order to obtain such designation the Clearing House is required to satisfy the relevant designating authority that the requirements of the Schedule to the SF Regulations, and certain other matters, are satisfied in respect of the Clearing House.

These Settlement Finality Regulations (which form part of these Regulations) have been promulgated by the Clearing House in order to meet such of those requirements as are not addressed elsewhere in these Regulations.

#### 1. Definitions

- 1.1 **"Concentration Bank"** means a bank or other credit institution which has a current agreement with the Clearing House to participate in the Clearing House Protected Payments System (as described in the Regulations) as a concentration bank.
- 1.2 **"Institution"** shall have the same meaning as in the SF Regulations.
- 1.3 **"The Clearing House System"** means the standardized formal arrangements, common rules, procedures as described in the Regulations, Procedures and service descriptions (each as amended from time to time) published from time to time by the Clearing House, ~~or, if applicable, those rules of LIFFE~~ pursuant to which LCH acts as clearing service provider, and related functionality which:
  - (a) enable the Clearing House in operating its Clearing House Protected Payments System to give instructions to place at the disposal of its ~~m~~Members (as set out the Regulations) amounts of money on the accounts of certain banks or other credit institutions; and
  - (b) enable Members through the Clearing House Protected Payments System to give instructions to place at the disposal of the Clearing House (as set out in the Regulations) amounts of money on the accounts of certain banks or other credit institutions; and
  - (c) enable the Clearing House to give instructions to Securities Systems Operators to transfer title to, or interest in securities; and
  - (d) enable Members and Non Member Participants to give instructions to Securities Systems Operators to transfer title to or interest in securities; and

- (e) enable the Clearing House to become central counterparty to Members in respect of eligible trades in certain derivative instruments, equities, repos, bonds GC and €GC and products, as described in the Regulations; and
- (f) enable the Clearing House and Members to fulfil the obligations they incur in respect of contracts registered by the Clearing House and in respect of which it has become central counterparty; and
- (g) facilitate supplementary and incidental matters.

1.4 “**Member**” has the same meaning as in the Regulations.

1.5 “**Non Member Participant**” means a person:-

- (a) who is not a Member or an exchange, and who is party to any one or more of the following agreements as described in the Regulations:

~~(i) an EquityClear GCM/NCM Agreement;~~

~~(ii)(i)~~ (i) a RepoClear Dealer Clearing Agreement;

~~(iii)(ii)~~ (ii) a SwapClear Dealer Clearing Agreement; or

~~(iv)(iii)~~ (iii) a ForexClear Dealer Clearing Agreement; or

~~(v) an Turquoise Derivatives NCM-GCM Agreement; or~~

(b) who acts as settlement agent for any person described in section 1.5(a) above; or

~~(b)~~ (c) who is a Non-Member Market Participant.

1.6 “**PPS Bank**” means a bank or other credit institution which has a current agreement with the Clearing House ~~to~~ participate, other than solely as a Concentration Bank, in the Clearing House Protected Payment System, as described in the Regulations.

1.7 “**Participant**” means of any of the following:

- (a) LCH.Clearnet Limited (“the Clearing House”);
- (b) ~~Any~~any Member;
- (c) ~~Any~~any Non-Member Participant;
- (d) ~~Any~~any PPS Bank

1.8 “**Payment Transfer Order**” means

- (a) an instruction given by the Clearing House by means of a SWIFT message or other means to a PPS Bank to place at the disposal of a Member (by crediting a nominated account held by that Member at that bank) an amount of money to be debited from a nominated account held by the Clearing House at that bank (“a Credit Member/Debit LCH transfer order”); or
- (b) an instruction given by the Clearing House by means of a SWIFT message or other means to a PPS Bank to place at the disposal of the Clearing House (by crediting a

nominated account held by the Clearing House at that bank) an amount of money to be debited from a nominated account held by ~~that~~ Member at that bank (“a Credit LCH/Debit Member transfer order”); or

- (c) an instruction given by the Clearing House to a Securities System Operator to place at the disposal of the Clearing House (by crediting a nominated cash account held by the Clearing House—) an amount of money to be debited from a nominated account held by that Securities System Operator for a Member or Non-Member Participant, as the case may be (“an Inward Cash Account Transfer Order”); or
- (d) an instruction given by the Clearing House to a Securities System Operator to place at the disposal of a Member or Non-Member Participant, as the case may be, (by crediting a nominated cash account held by such Member or Non-Member Participant) an amount of money to be debited from a nominated account held by that Securities System Operator for the Clearing House (“an Outward Cash Account Transfer Order”); or
- (e) an instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House or its agent or contractor containing data constituting particulars of an Exchange Contract, SwapClear Transaction, Post-Compression Contract, ForexClear Transaction, RepoClear Transaction, Repo Trade or Bond Trade, EquityClear ATP Match, Turquoise Derivatives Orderbook Match, Eligible RepoClear GC ~~Trade, Transaction,~~ or Eligible OTC Trade and submitted to the Clearing House for registration by the Clearing House in accordance with the Regulations ~~(not including, for the avoidance of doubt, particulars in respect of any LIFFE exchange contract);~~ ;
- (f) an open Cleared Exchange Contract, SwapClear Contract, ForexClear Contract, RepoClear Contract, RepoClear GC Contract, EquityClear Contract, Turquoise Derivatives Cleared Exchange Contract or LCH EnClear OTC Contract which has been registered by the Clearing House ~~(but not including, for the avoidance of any doubt, any LIFFE exchange contract);~~ or; or
- (g) an instruction given by the Clearing House to a PPS Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a Concentration Bank) an amount of money to be debited from a nominated account held by the Clearing House at that PPS Bank; or
- (h) an instruction given by the Clearing House— to a Concentration Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a PPS Bank) an amount of money to be debited from a nominated account held by the Clearing House at that Concentration Bank.

1.9 “**Procedures**” means the practices and procedures of the Clearing House, as amended from time to time, including but not limited to the Procedures.

1.10 “**Regulations**” means the General Regulations, Default Rules and Procedures of the Clearing House as amended from time to time and “**the Procedures**” shall mean that part of the Regulations by that name.

1.11 “**Securities System Operator**” means:

- (a) an operator of a securities depository and/or securities settlement system (including but not limited to Euroclear UK & Ireland Ltd, Euroclear Bank, Clearstream Frankfurt and Clearstream Luxemburg); or
- (b) a bank or other credit institution (including but not limited to the National Bank of Belgium and Deutsche Bank AG) which provides securities holding and/or securities settlement services to the Clearing House as a nominee or otherwise through its participation in any securities settlement system or otherwise.

1.12 **“Securities Transfer Order”** means

- (a) an instruction, given by the Clearing House on its own behalf or on behalf of a Member or Non-Member Participant, to a Securities System Operator to transfer the title to or interest in securities to a Member, a Non-Member Participant, the Clearing House or other person by means of a book entry on the register maintained by that Securities System Operator, or otherwise; or
- (b) an instruction given by a Member or Non-Member Participant to a Securities System Operator to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by that Securities System Operator, or otherwise; or
- (c) an instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House containing data constituting particulars of an Exchange Contract for the transfer of Securities, RepoClear Transaction, Bond Trade, Repo Trade, [EquityClear](#) ATP Match, [Eligible RepoClear GC Transaction](#) or Turquoise Derivatives Orderbook Match, - submitted for registration by the Clearing House in accordance with the provisions of the Regulations ~~(not including, for the avoidance of doubt, particulars in respect of any LIFFE exchange contract);~~<sup>+</sup> or
- (d) an open Cleared Exchange Contract for the transfer of Securities, a RepoClear Contract, [a RepoClear GC Contract](#), an EquityClear Contract, or Turquoise Derivatives Cleared Exchange Contract [for the transfer of Securities](#) which has been registered by the Clearing House ~~(but not including, for the avoidance of doubt, any LIFFE exchange contract);~~<sup>+</sup>

1.13 **“Settlement Finality Directive”** means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

1.14 **“SF Regulations”** means The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979).

1.15 **“Transfer Order”** includes a Payment Transfer Order or a Securities Transfer Order.

## 2. Transfer Orders – Specific Provisions

2.1 A Transfer Order takes effect and enters the Clearing House System in accordance with the following:

- (a) Payment Transfer Orders
  - (i) A Payment Transfer Order of the type set out in sections 1.8(a), 1.8(b), 1.8(c), 1.8(d), 1.8(g) and 1.8(h) above takes effect and enters the

Clearing House System when the relevant SWIFT message, or other electronic message or fax or other communication is sent by the Clearing House.

- (ii) A Payment Transfer Order of the type set out in section 1.8(e) takes effect and enters the Clearing House System when such particulars are received by the Clearing House or its agent or contractor.
- (iii) A Payment Transfer Order of the type set out in section 1.8(f) takes effect and enters the Clearing House System at the time of registration. Details of registration timings are given in the Procedures.

(b) Securities Transfer Orders

- (i) A Securities Transfer Order of the type set out in section 1.12(a) takes effect and enters the Clearing House System when the relevant SWIFT message, or other electronic message or fax is sent by the Clearing House.
- (ii) A Securities Transfer Order of the type set out in section 1.12(b) takes effect and enters the Clearing House system when the relevant SWIFT message, or other electronic message or fax is sent by the Member or Non-Member Participant.
- (iii) A Securities Transfer Order of the type set out in section 1.12(c) takes effect and enters the Clearing House system when the particulars thereof are received by the Clearing House or its agent or contractor.
- (iv) A Securities Transfer Order of the type set out in section 1.12(d) takes effect and enters the Clearing House system at the time of registration. Details of registration timings are given in the Procedures.

2.2 A Payment Transfer Order shall be irrevocable at the time specified below for that type of Payment Transfer Order.

- (a) A Credit Member/Debit LCH transfer order shall be irrevocable at the time when the relevant PPS Bank sends a SWIFT confirmation message or otherwise confirms that such payment will be made.
- (b) A Credit LCH/Debit Member transfer order shall be irrevocable at the time when the relevant PPS Bank sends a SWIFT confirmation message or otherwise confirms that such payment will be made.
- (c) An Inward Cash Account Transfer Order shall be irrevocable from the time prescribed from time to time by the relevant Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- (d) An Outward Cash Account Transfer Order shall be irrevocable from the time prescribed from time to time by the relevant Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.
- (e) An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House or its agent or contractor containing data constituting particulars of an Exchange Contract, RepoClear



Transaction, SwapClear Transaction, Post-Compression Contract, ForexClear Transaction, or Eligible OTC Trade and submitted for registration by LCH in accordance with the Regulations shall be irrevocable from the time of its registration by the Clearing House.

- (f) An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to LCH, or its agent or contractor, containing data constituting particulars of a Bond Trade, Repo Trade, ~~Eligible GC Trade~~, RepoClear GC Transaction, EquityClear ATP Match, or Turquoise Derivatives Orderbook Match submitted to LCH for registration in accordance with the Regulations shall be irrevocable from the time when, having passed all relevant checks required by the Clearing House, it passes through the relevant Computer Gateway. For these purposes a relevant Computer Gateway shall mean a computer gateway of a system operated by LCH or by an agent or contractor of the Clearing House for the purposes, inter alia, of receiving such electronic messages and carrying out such checks.
- (g) An open Cleared Exchange Contract, ~~SwapClear Contract~~, SwapClear Contract, RepoClear Contract, RepoClear GC Contract, EquityClear Contract, Turquoise Derivatives Cleared Exchange Contract or LCH EnClear OTC Contract which has been registered by the Clearing House shall be irrevocable from the time of its registration by the Clearing House.
- (h) An instruction given by the Clearing House to a PPS Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a Concentration Bank) an amount of money to be debited from a nominated account held by the Clearing House at that PPS Bank shall be irrevocable at the time when the relevant PPS Bank confirms that such payment will be made.
- (i) An instruction given by the Clearing House to a Concentration Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a PPS Bank) an amount of money to be debited from a nominated account held by the Clearing House at that Concentration Bank shall be irrevocable at the time when the Concentration Bank confirms that such payment will be made.

2.3 Subject to section 2.5 below, a Securities Transfer Order shall be irrevocable at the time specified hereafter for the relevant type of Securities Transfer Order.

- (a) An instruction given by the Clearing House (on its own behalf or on behalf of a Member or Non-Member Participant) to a Securities System Operator of the kind referred to in section 1.4+12(a) to transfer the title to or interest in securities to a Member, Non-Member Participant, to the Clearing House or other person by means of a book entry on the register maintained by that Securities System Operator shall be irrevocable at the time prescribed from time to time by that Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.

(b) An instruction given by a Member or, where permitted or required by the Regulations, a Non-Member Participant to a Securities System Operator of the kind referred to in section 1.12(a) to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by that Securities System Operator shall be irrevocable at the time prescribed from time to

time by that Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.

~~(b)~~(c) An instruction given by the Clearing House (on its own behalf or on behalf of a Member or Non-Member Participant) to a Securities System Operator of the kind referred to in section 1.4412(b) to transfer the title to or interest in securities to a Member, Non-Member Participant, to the Clearing House or other person by means of a book entry on the register maintained by another Securities System Operator shall be irrevocable at the time prescribed from time to time by that other Securities System Operator as being the time after which such instruction may not be revoked by a participant or other person.

~~(c) — An instruction given by a Member or, where permitted or required by the Regulations, a Non-Member Participant, to a Securities System Operator of the kind referred to in section 1.11(a) to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by that Securities System Operator shall be irrevocable at the time prescribed from time to time by that Securities Settlement System Operator as being the time after which such instruction may not be revoked by a participant or other person.~~

(d) An instruction given by a Member or, where permitted or required by the Regulations, a Non-Member Participant, to a Securities System Operator of the kind referred to in section 1.4412(b) to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by another Securities System Operator shall be irrevocable at the time prescribed from time to time by that other Securities ~~Settlement~~ System Operator as being the time after which such instruction may not be revoked by a participant or other person.

(e) An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House or its agent or contractor containing data constituting particulars of an Exchange Contract, Turquoise Derivatives Cleared Exchange Contract, RepoClear Transaction or RepoClear GC Transaction for the transfer of securities, and submitted for registration by the Clearing House in accordance with the Regulations shall be irrevocable at the time of its registration by the Clearing House.

(f) An instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House, or its agent or contractor, containing data constituting particulars of a Bond Trade, Repo Trade, EquityClear ATP Match, or Turquoise Derivatives- Orderbook Match submitted to LCH for registration in accordance with the Regulations shall be irrevocable from the time when, having passed all relevant checks required by the Clearing House, it passes through the relevant Computer Gateway. For these purposes a relevant Computer Gateway shall mean a computer gateway of a system operated by the Clearing House or by an agent or contractor of the Clearing House for the purposes, inter alia, of receiving such electronic messages and carrying out such checks.

(g) An open Cleared Exchange Contract for the transfer of Securities, a RepoClear Contract, a RepoClear GC Contract, an EquityClear Contract, or Turquoise Derivatives Cleared Exchange Contract for the transfer of Securities which has been registered by the Clearing House shall be irrevocable from the moment of its registration by LCH.

2.4 (a) Particulars of when registration occurs for ~~exchange contracts~~ LME Transactions are set out in Section 2A ~~(LME Clearing)~~ of the Procedures.

- (b) Particulars of when registration occurs for RepoClear Transactions, are set out in Section 2B of the Procedures.
- (c) Particulars of when registration occurs for SwapClear Transactions are set out in Section 2C of the Procedures.
- (d) Particulars of when registration occurs for [EquityClear](#) ATP Matches in EquityClear Eligible ~~See~~[Equ](#)urities are set out in Section 2D.
- (e) Particulars of when registration occurs for— Eligible OTC Trades are set out in Section 2E.
- (f) Particulars of when registration occurs for Turquoise Derivatives Orderbook Matches are set out in Section 2F.
- (g) Particulars of when registration occurs for Nodal Transactions are set out in Section 2G.
- ~~(h)~~ [\[Particulars of when registration occurs for HKMEx Transactions are set out in Section \[2H.1\]\(#\)](#)
- ~~(h)~~(i) [Particulars of when registration occurs for ForexClear Transactions are set out in Section \[2I\]\(#\) of the Procedures.](#)
- ~~(h)~~(j) [Particulars of when registration occurs for NLX Transactions are set out in Section 2J of the Procedures.](#)
- ~~(h)~~(k) [Particulars of when registration occurs for ~~ForexClear~~\[FEX\]\(#\) Transactions are set out in Section 2K of the Procedures.](#)

- 2.5 (a) For the purposes of this section 2.5 “Onward Instruction” shall mean any instruction to a securities settlement system, which is given by a Securities System Operator of the kind referred to in section 1.11(b) above, and through which that Securities System Operator gives effect to a Securities Transfer Order given to it by the Clearing House.
- (b) Where a Securities Transfer Order is given by LCH to a Securities Systems Operator of the kind referred to in section 1.11(b), that Securities Transfer Order shall be irrevocable from the time after which any Onward Instruction may not be revoked by that Securities Systems Operator as prescribed by the rules or other requirements of the securities settlement system to which such Onward Instruction is submitted.

### 3. **Prohibition of Revocation of Transfer Orders**

A Transfer Order shall not be revoked or purport to be revoked by a Participant (or by any liquidator or other insolvency office-holder appointed with regard to any undertaking operated by a Participant) after the time specified in section 2 above as being the time when such instruction becomes irrevocable.

### 4. **Provision of information**

- 4.1 A Participant shall, within 14 days of being requested to do so by any person (“the applicant”) and upon being paid such reasonable charge as the Participant may require, provide to the applicant the following information:

- (a) details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant, as the case may be, participates; and
- (b) information about the main rules governing the functioning of those systems.

4.2 Nothing in this section 4 shall require the Participant to provide any of the above information to an applicant where, or to the extent that, such request is frivolous or vexatious.

4.3 Each Participant shall promptly supply to the Clearing House such information as the Clearing House may require from time to time in order for LCH to meet its obligations as the operator of a system designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

## 5. Notification of certain insolvency events

5.1 Subject to section 5.2 below a Participant shall forthwith notify the Clearing House, the ~~FSA~~[Financial Conduct Authority](#) and the Bank of England if:-

- (a) a resolution is passed for the voluntary winding up of the Participant; or
- (b) a trust deed granted by the Participant (as the case may be) becomes a protected trust deed.

5.2 If a Participant is required to give notice of any of the events set out in sections 5.1(a) and 5.1(b) above by any other provisions of the Regulations, then nothing in this section shall be taken to require the giving of a further notice to the Clearing House of the same event, providing always that such notice as is given under such other provision of the Regulations is given in writing and addressed ~~sd~~ to the person identified in section 5.3 below.

5.3 Any notice to be given to the Clearing House under this provision shall be given in writing, addressed to the General Counsel, and shall be sent by first class pre-paid post or hand delivered to the following address:

LCH.Clearnet Limited  
Aldgate House  
33 Aldgate High Street  
London EC3N 1EA

or sent by fax (followed by postal confirmation) to the following fax number:

+44 (0)20 7426 7210.

5.4 Any notice given to the ~~FSA~~[FCA](#) under this provision shall be sent by first class pre-paid post or hand delivered to:

~~Manager, Clearing/Settlement,  
Financial Services Authority  
Markets and Exchanges Division  
25 The North Colonnade  
London E14 5HS~~

[to be inserted]

or sent by fax (followed by postal confirmation) to the following fax number:

~~+44 (0)20 7676 9735.~~

[to be inserted].

- 5.5 Any notice given to the Bank of England under this provision shall be given by first class pre-paid post or hand delivered to:

The Senior Manager  
Payment Systems Oversight  
Market Infrastructure Division, HO-3  
Bank of England  
Threadneedle Street  
London EC2R 8AH

or sent by fax (followed by postal confirmation) to the following fax number:

+44 (0)20 7601 3561.