

VIA CFTC PORTAL

1 April 2020

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
115 21st Street NW
Three Lafayette Centre
Washington DC 20581

LCH Limited Self-Certification: Clearing Member Sub-Accounts

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification changes to its rulebook which will take effect on, or after, April 16, 2020.

Part I: Explanation and Analysis

As part of the operational aspects of the service provided to clearing members, including Futures Commission Merchants (“FCMs”), LCH opens and closes accounts and sub-accounts for position keeping and other operational purposes.

The rulebook has been amended to provide an express reference to the sub-accounts LCH will open on behalf of a clearing member and to reflect that LCH may open and close operational accounts for clearing members at its sole discretion.

Part II: Description of Rule Changes

FCM Procedures: Sections 2.1.5, 2.1.6, 2.2.6, and 2.3.4 have been amended to clarify that LCH will open position-keeping and operational accounts which are used to record cash and securities balances (see **Appendix I** attached).

Procedures Section 2C: Section 1.5.1 and 1.6.1 has been amended to clarify that LCH will open position-keeping and operational accounts which are used to record cash and securities balances for SwapClear Clearing Members (“SCM”). Section 1.6.2 clarifies that, if a SCM engages in SwapClear client clearing business, LCH will maintain a position-keeping and client collateral account for such SCMs and that these accounts in turn may be mapped to any number of segregated sub-accounts held by the SCM (see **Appendix II** attached).

Procedures Section 2I: Section 1.2.3 has been amended to clarify that LCH will open position-keeping and operational accounts which are used to record cash and securities balances for ForexClear Clearing Members. In addition, for Omnibus Gross Segregated Accounts, the relevant segregated sub-accounts of the position-keeping account and the client collateral account will be further segregated into sub-accounts for each Omnibus Gross Segregated Clearing Client (see **Appendix III** attached).

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LCH Group Holdings Limited | LCH Limited | Banque Centrale de Compensation | LCH.Clearnet LLC

LCH Group Holdings Limited. Registered in England No. 4743602 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Procedures Section 2J: Sections 1.4.3 and 1.4.4 has been amended to clarify that LCH will open position-keeping and operational accounts which are used to record cash and securities balances for Listed Interest Rates Clearing Members. Section 1.4.5 clarifies that, if a Listed Interest Rates Clearing Member engages in Listed Interest Rate Client Clearing business, LCH will maintain a position-keeping and client collateral account for such members and that these accounts in turn may be mapped to any number of segregated sub-accounts held by these members (see **Appendix IV** attached).

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards therein.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at:

<http://www.lch.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

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

Certification

LCH 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 charlotte.woodwards@lch.com.

Yours sincerely



Charlotte Woodward
Senior Regulatory Advisor
LCH Limited

Appendix I
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

2. PRODUCT-SPECIFIC PROCEDURES

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

The use of words such as “margin”, “margin account”, “margin call” and “margin run”, which are used to reflect terminology commonly used by the Clearing House, shall not be deemed to affect the intent of the Clearing House, any FCM Clearing Member or any FCM Client as to the legal characterization of transfers of Settlement Payments, Variation Settlement, Price Alignment Amount, daily settlement amounts or other similar amounts.

2.1 SWAPCLEAR

2.1.1 *The Clearing Process*

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

(a) *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- (A) processing and settlement of coupon payments;
- (B) processing and settlement of consideration (fee) payments;
- (C) calculation of initial margin and Variation Settlement requirements;
- (D) calculation of SwapClear Tolerance Limits;
- (E) calculation of Price Alignment Amount;
- (F) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (G) allocation and designation of trades to a position-keeping account; and
- (H) reporting of registered trades.

FCM SwapClear Transactions presented via an FCM Approved Trade Source System (i.e. new trades presented for intra-day registration or existing trades presented for overnight registration – see Section 2.1.3(e)) will, subject to meeting all requirements prescribed by the Clearing House, be processed and stored within the FCM SwapClear

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

2.1.4 *Allocation Notices*

In respect of an Allocation Notice, the Clearing House will notify the relevant Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member via member reports, the ClearLink API or otherwise, that an Allocation Notice has been submitted to allocate some or all of notional value of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account of that Pre-Allocation FCM Clearing Member to the Client Segregated Sub-Account or Proprietary Account of the Post Allocation FCM Clearing Member.

Following receipt of this notification, a Pre-Allocation FCM Clearing Member or Post-Allocation FCM Clearing Member may choose to accept or refuse to register the Allocation Notice as if such Allocation Notice were a new FCM SwapClear Transaction, as described above.

2.1.5 *Position Accounts*

(a) *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 [position-keeping accounts corresponding to](#) a single character code: C for client business; and H for house business.

(b) *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 and FCM Clients, as applicable, via SwapClear FCM Clearing Member Reporting (see Section 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 by the Clearing House. The SwapClear FCM Clearing Member Reporting functionality also allows each FCM Clearing Member and FCM Client to identify all FCM SwapClear Contracts registered in its name.

At the request of an FCM Clearing Member or FCM Client, as applicable, the Clearing House may permit the FCM Clearing Member or FCM Client, as applicable and/or its respective agent or designee (that has previously been approved by the Clearing House for such purpose) to assign or amend a trade identifier to an FCM SwapClear Contract in its accounts, provided that no such assignment or amendment shall in any way affect the Clearing House trade identifiers in respect of each such FCM SwapClear Contract. By making such request, such FCM Clearing Member, either on its own behalf or on behalf of an FCM Client acknowledges that the Clearing House shall have no liability for any direct or indirect consequence of the use or assignment of such additional trade identifiers.

Any request for the Clearing House to approve an agent or designee for the purposes of this Section 2.1.5 must be made in writing and using the Clearing House’s standard documentation. Through making a request, an FCM Clearing Member, either on its own behalf or on behalf of an FCM Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

Notwithstanding anything in this Section 2.1.5 of the FCM Procedures, the Clearing House trade identifiers and records in relation to FCM SwapClear Contracts shall be the definitive version for all purposes involving the Clearing House or any service or product offered by it, and shall prevail over any versions otherwise maintained by or on behalf of any FCM Clearing Member.

2.1.6 **Financial**~~Other~~ **Accounts**

~~FCM~~The Clearing ~~Member~~House will open operational accounts ~~have financial accounts associated with them. These, in respect of an FCM Clearing Member, which are, inter alia, used to record cash and securities balances and securities/documentary credits. Information contained within position-keeping accounts is consolidated into financial accounts, as follows:~~

~~(a) Relationship with Position-Keeping Accounts~~

Position-keeping Account	Financial Account		
H	House	H	Proprietary Account
€	Client	€	LCH—SwapClear—Client Segregated—Depository Account used for Initial Margin Flows
	Client	€	LCH—SwapClear—Client Segregated—Depository Account used for Variation Settlement Flows

Position- keeping Account	Financial Account
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~~The C account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.~~

~~(b) — Other Financial Accounts~~

~~its SwapClear Contributions.~~ The Clearing House may, at its open and close such operational accounts, in its sole discretion, ~~open further financial accounts.~~

~~(c) — Default Fund (DF) Account~~

~~Each FCM Clearing Member's Contribution is held in a separate financial account. The DF account code is "F".~~

~~(d) — Excess Account~~

~~Upon request from~~ upon notice to the relevant FCM Clearing Member. FCM SwapClear Operations will provide details of such accounts to an FCM Clearing Member, ~~the Clearing House may open an Excess account in the FCM Clearing Member's name. The Excess account is a sub-account of the C account and is therefore a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations. An FCM Clearing Member may only deliver FCM Buffer to the Excess Account. The Excess account code is "E".~~ upon request.

2.1.7 FCM SwapClear Contract Valuation

(a) 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 and other Required Registration Amounts, as determined by the Clearing House, are furnished to the Clearing House to cover the Clearing House's Margin requirement for each FCM SwapClear Transaction (taking into account, for these purposes, SwapClear Tolerance, if any) and other amounts required by the Clearing House to register the FCM SwapClear Contract, except that such Required Registration Amounts shall not be required to be furnished prior to registration as a condition thereto if such FCM SwapClear Transaction is a Sub-Block Trading Venue Transaction.

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 47 (*Daily Settlement of FCM SwapClear Contract and FCM ForexClear Contracts*). Except as

SCHEDULE 2.1B
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 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 Rates Service 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 “**DMG Member**” means an individual appointed by a Nominating FCM Clearing Member.
- 1.3 “**Nominating FCM Clearing Member**” means a SwapClear Member who, through their obligations under the Rates Service DMP, makes available a representative to serve on the Rates Service DMG.
- 1.4 “**Permitted Purpose**” means proper fulfillment by the FCM Clearing Member of its duties under the Rates Service 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 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 FCM Rulebook, which includes the Default Rules (including the Rates Service DMP Annex).

General Obligations of the FCM Clearing Member

The obligations of an FCM Clearing Member set forth in this Schedule shall only apply in the event such FCM Clearing Member does not have an affiliated SwapClear Clearing Member that has agreed to participate in the Rates Service DMP on behalf of such FCM Clearing Member.

Confidentiality and Non-Disclosure

2. Confidentiality

- 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 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

2.2 FOREXCLEAR

2.2.1 *Introduction and Interpretation*

This Section 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.

References to “**Business Day**”, “**Calculation Agent**”, “**Currency Pair**”, “**Disruption Fallback**”, “**Notional Amount**”, “**Reference Currency**”, “**Settlement Currency**”, “**Settlement Currency Amount**”, “**Settlement Date**”, “**Settlement Rate**”, “**Settlement Rate Option**”, “**Trade Date**”, “**Valuation Date**”, and “**Valuation Postponement**” shall have the meanings given to them in the FCM ForexClear Contract Terms.

References to “**business day**” shall carry the meaning given to it in the Rulebook.

“**EMTA**” means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

“**EMTA Template**” means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

“**LCH G10 NDF Contract Template**” means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are set forth in the FCM ForexClear Contract Terms.

“**Relevant EMTA Template**” means, for a particular FCM ForexClear Contract, the EMTA Template that is incorporated by reference into the FCM ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the FCM ForexClear Contract Terms.

“**Submission Date**” means the date on which a given trade is submitted to the Clearing House for registration.

Unless otherwise specified, all times are in local London time.

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. FCM Clearing Members approved by the Clearing House to clear in the FCM ForexClear Service (“**FX FCMs**”), FCM Clients of

FX FCMs and, in respect of hedging FCM ForexClear Transactions executed for the purpose of Risk Neutralisation, the Clearing House are known as ForexClear Participants (“**FXPs**”). For membership procedures, please see Section 1 of the FCM Procedures.

For identification purposes each FX FCM is assigned a unique three-character mnemonic for purposes of the FCM ForexClear Service.

2.2.3 *Termination of FX FCM Status*

FCM Clearing Members should contact the Clearing House Onboarding Department (+44 (0)207 426 7891/7627/7063; onboarding@lch.com) for details of how to resign from the FCM ForexClear Service.

2.2.4 *Service Scope*

(a) *Eligibility*

Non-Deliverable FX Transactions as defined in Part A of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual (“**NDFs**”) may be presented for clearing through the FCM ForexClear Service. To be eligible to be registered as a ForexClear Contract, an NDF must meet the FCM ForexClear Product Eligibility Criteria (as set out in Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual).

(b) *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 *Position Accounts*

(a) *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 [position-keeping accounts corresponding to](#) a single character code: C for client business; and H for house business.

(b) *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 ~~2.2.22~~~~2.2.22~~). 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). Each such sub-account will carry the unique Bank Identifier Code (“**BIC**”) (or equivalent unique identifier) of the relevant branch.

~~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) *Clients*

Where an FX FCM enters into an agreement with an FCM Client in accordance with FCM Regulation 7(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.

2.2.6 *Financial*Other *Accounts*

~~FCM~~The Clearing ~~Member~~House will open operational accounts ~~have financial accounts associated with them. These are, *inter alia*, in respect of an FX FCM, which are~~ used to record cash and securities balances and securities/documentary credits. ~~Information contained within position-keeping accounts is consolidated into financial accounts, as follows:~~

~~(a) Relationship with Position Keeping Accounts~~

Position-keeping Account	Client	Financial Account	Client
€	Client	€	LCH—ForexClear—Client Segregated—Depository Account used for Initial Margin Flows
	Client	£	LCH—ForexClear—Client Segregated—Depository Account used for Variation Settlement Flows
H	House	H	Proprietary Account

~~The € account is a Cleared Swaps Customer Account as defined in Part 22 of the CFTC Regulations.~~

~~(b) Other Financial Accounts~~

~~its [ForexClear Contributions](#). The Clearing House may, [at its open and close such operational accounts, in its sole discretion](#), ~~open further financial accounts.~~~~

~~(c) Default Fund (DF) Account~~

~~Each [upon notice to the relevant FX FCM Clearing Member's Contribution is held in a separate financial account.](#)~~ The Default Fund account code is "F". ~~Each [FCM ForexClear Operations will provide details of such accounts to an FX 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](#) upon request.~~

2.2.7 **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 Product Eligibility Criteria (set out in Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual) at the Registration Time. Upon an FCM ForexClear Transaction being presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM ForexClear Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the FCM ForexClear Transaction, registration shall occur immediately and the FCM ForexClear Transaction shall be automatically replaced by two separate FCM ForexClear Contracts.

Prior and as a condition to the registration of an FCM ForexClear Contract (except where such FCM ForexClear Contract results from an FCM ForexClear

2.2.20 *Proprietary Account Position Transfers*

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

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

2.2.21 *FCM Clearing Member's Client Fund Transfer*

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

Transfers can only occur based upon the below rules:

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

Transfer requests received by [FCM](#) ForexClear Operations prior to 15:00 London time will be managed and included in the 18:00 London time margin run. The transfer of the FCM ForexClear Contract will occur **provided that** sufficient Margin is held for the FCM Clearing Member and outstanding payments of Variation Settlement and other obligations have been made as necessary.

2.2.22 *ForexClear Reporting*

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of FCM ForexClear Contracts, including terminations and modifications to an FCM ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of FCM ForexClear Contracts to a swap data

SCHEDULE 2.2D
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 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 “**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 ForexClear DMG.

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 References denoting the masculine (including “his” and “he”) shall be construed as the feminine if the ForexClear DMG Member is female.

1.6 All other terms have the meaning ascribed to them in the Default Rules (including the ForexClear DMP Annex).

General Obligations of the FXCCM

The obligations of an FXCCM set forth in this Schedule shall only apply in the event such FXCCM does not have an affiliated FXCCM that has agreed to participate in the ForexClear DMP on behalf of such FXCCM.

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, 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

2.3 LISTED INTEREST RATES

2.3.1 Introduction

(a) Background

These FCM Procedures apply to the clearing of FCM Listed Interest Rate Eligible Products listed for trading on Rates Exchanges, and form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook.

FCM Listed Interest Rates 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. FCM Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms.

The FCM Rulebook (including these FCM Procedures) and the FCM Listed Interest Rates Contract Terms are subject to change from time to time. Enquiries regarding these FCM Procedures or any other aspects of the operation of the FCM Listed Interest Rates Clearing Service should be directed to the Listed Rates Clearing House Client Services Department on +44 7426 7651 or ListedRates.Ops.UK@lch.com. Enquiries regarding FCM Listed Interest Rates Clearing Member status should be directed to the Onboarding Department on +44 (0) 20 7426 7949 or onboarding@lch.com.

In the event of any conflict between any provision of these FCM Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any Rates Exchange Rules), these FCM Procedures shall prevail.

Enquiries relating to: (i) trading FCM Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the FCM Listed Interest Rates Contract Terms of any FCM Listed Interest Rates Contract other than a Designated FCM Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing FCM Listed Interest Rates Contracts; (ii) the FCM Rulebook; or (iii) the FCM Listed Interest Rates Contract Terms of any Designated FCM Listed Interest Rates Contracts should be directed to the Clearing House.

(b) Interpretation

Capitalised terms used in these FCM Procedures not otherwise defined herein have the meanings ascribed to them in the FCM Rulebook.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

(c) FCM Listed Interest Rates Eligible Products

the same economic terms in accordance with, and subject to, the FCM Rulebook and all Applicable Law, and such FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) will, for the purposes of the FCM Rulebook and upon such re-presentation, constitute a new FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable). FCM Listed Interest Rate Novation Transactions must be executed, matched and presented for registration prior to the relevant Rates Exchange deadline for registration. Any FCM Listed Interest Novation Transactions presented after that time will be rejected.

Where a transaction or particulars (as applicable) are rejected by the Clearing House, no FCM Listed Interest Rates Contracts arise between the Clearing House and the FCM Listed Interest Rates Clearing Members concerned. Subject to FCM Regulation 44(e), the Clearing House has no liability in respect of such rejection.

2.3.4 *Accounts*

(a) *Position Accounts*

(A) **FCM Accounts.** For identification purposes, each FCM Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM Listed Interest Rates Contracts. An FCM Listed Interest Rates Clearing Member's position and financial information are further identified by [position-keeping accounts corresponding to a single character code: "C" for ~~client 30.7 customer~~ business and H for house business](#). ~~The requirement to open a C account is compulsory.~~

(B) **Position-Keeping Accounts.** The account types [are H for house business \(Proprietary Account\) and C for segregated client business](#) ~~is "C" for a 30.7 customer account~~ (an FCM Omnibus Listed Interest Rates Client Account with LCH). An FCM Listed Interest Rates Clearing Member's FCM Listed Interest Rates Contract positions are also recorded within the FCM Listed Interest Rates Clearing Service in Listed Interest Rates accounts. The FCM Listed Interest Rates Clearing Member reporting functionality also allows each FCM Listed Interest Rates Clearing Member to identify all FCM Listed Interest Rates Contracts registered in its name.

(b) ~~Financial~~ [Other](#) Accounts

~~FCM Listed Interest Rates 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.~~

~~An FCM Listed Interest Rates Clearing Member's financial accounts are identified by a single character code: "C" for 30.7 customer business.~~

~~Information contained within position-keeping accounts is consolidated into financial accounts, as follows:~~

~~(A) Relationship with Position-Keeping Accounts~~

Position-keeping accounts	Financial account
C 30.7 customer (used for Initial Margin flows)	C

~~The C Account is a 30.7 customer account which is part of the Foreign Futures Account Class.~~

~~By permitting a transaction to be allocated to a position-keeping account, an FCM Listed Interest Rates Clearing Member is also deemed to be designating that transaction for the associated financial account.~~

~~(B) Other Financial 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>
Additional Margin account (FCM Client), used for holding additional cash in relation to FCM Client business.	E
LCH 30.7 customer secured account (used for daily settlement flows)	L

~~(C) The Clearing House will open operational accounts, in respect of an FCM Listed Interest Rates Clearing Member, which are used to record cash and securities balances and its Listed Interest Rates Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant FCM Listed Interest Rates Clearing Member. FCM Listed Interest Rates Operations will provide details of such accounts to an FCM Listed Interest Rates Clearing Member upon request. Default Fund (DF) Account. Each FCM Listed Interest Rates 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.~~

2.3.5 *Margin and Collateral*

(a) *Initial Margin*

Appendix II
Procedures Section 2C



LCH LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

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.

SCMs are Clearing Members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SwapClear Dealers 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 Onboarding Department, an SCM may offer certain SwapClear Client Clearing Services to SwapClear Clearing Clients. SwapClear Client Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated Account, an Indirect Gross Account, a Custodial Segregated Account or an Omnibus Segregated Account. SCMs should contact the Clearing House's Onboarding Department for further details of the SwapClear Client Clearing Service and the Clearing House's approval process (+44 (0)20 7426 7949; onboarding@lch.com).

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 to the Clearing House for registration by, and in the name of, the SCM of which it is part.

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 the net present value of SwapClear Transactions;
- (e) calculation of the cumulative net present value of certain SwapClear Transactions;
- (f) calculation of SwapClear Tolerance Limits;
- (g) calculation of price alignment interest and price alignment amounts;
- (h) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (i) allocation and designation of trades to a position-keeping account; and

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

In respect of a Package Transaction presented- in a SwapClear Clearing Member's name, such SwapClear Clearing Member's margin requirement will be assessed based on the net margin call for all of the constituent SwapClear Transactions of such Package Transaction. Where one or more of the constituent SwapClear Transactions in a Package Transaction is not a Sub-Block Trading Venue Transaction, the relevant SwapClear Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

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

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 or more sub-accounts:](#)

~~Each Proprietary Account will map to two~~[one](#) or more ~~sub-accounts:~~

- (a) ~~a position~~[account](#)~~accounts~~; and
- (b) one or more collateral accounts (including, where relevant, a Client Buffer Account).

1.4.2 Client Accounts

(a) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.21 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) Indirect Gross Accounts;

- (iii) Custodial Segregated Accounts;
 - (iv) Non-Identified Client Omnibus Net Segregated Accounts;
 - (v) Identified Client Omnibus Net Segregated Accounts;
 - (vi) Affiliated Client Omnibus Net Segregated Accounts;
 - (vii) Omnibus Gross Segregated Accounts; and/or
 - (viii) Indirect Net Accounts.
- (b) Each Client Account will map to two or more sub-accounts:
- (i) one or more a position accounts; and
 - (ii) one or more ~~a~~ collateral accounts.

1.4.3 *Client Account – Account Migration*

An SCM may request (in such form and manner as the Clearing House may prescribe from time to time) that the Clearing House migrate and convert a Client Account to another form of Client Account (an “**Account Migration Request**”). In connection with an Account Migration Request, an SCM shall be deemed to make the following agreements, acknowledgements and representations:

- (a) the Account Migration Request is provided on behalf of a SwapClear Clearing Client;
- (b) the requested Client Account changes will not violate or result in the violation of Applicable Law; and
- (c) the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the given SCM, which shall be solely responsible for all such instructions and information.

1.5 **Position Accounts**

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 [position-keeping accounts corresponding to](#) a single character code: -C for SwapClear Client Clearing Business; and H for SwapClear Clearing House Business. The H account is obligatory, the C account will be used in respect of any SCM which engages in SwapClear Client Clearing Business.

consequence of the use or assignment of such additional trade identifiers.

Notwithstanding anything in this Section 1.5.2 of the Procedures, the Clearing House trade identifiers and records in relation to SwapClear Contracts shall be the definitive version for all purposes involving the Clearing House or any service or product offered by it, and shall prevail over any versions otherwise maintained by or on behalf of any SCM.

Any request for the Clearing House to approve an agent or designee for the purposes of this Section 1.5.2 must be made in writing and using the Clearing House’s standard documentation. Through making a request, an SCM, either on its own behalf or on behalf of a SwapClear Clearing Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

1.6 **Collateral**~~Other~~ Accounts

1.6.1 Operational Accounts

~~The Clearing Member position~~House will open operational accounts ~~have collateral accounts associated with them. These~~in respect of an SCM, which are, ~~inter alia,~~ used to record cash and securities balances and ~~securities. Information contained within a position keeping account is consolidated with its SwapClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the associated collateral account, as follows:~~relevant SCMs. SwapClear Operations will provide details of such accounts to an SCM upon request.

~~1.6.1—Relationship with Position Keeping Accounts and Collateral Accounts~~

<u>Position-keeping Account</u>	<u>Collateral Account</u>	
H	Proprietary	H
C	Client	C

~~Each~~1.6.2 SwapClear Client Clearing Business

If an SCM engages in SwapClear Client Clearing Business, the Clearing House will maintain a client "C" position-keeping account and ~~the~~a client "C" collateral account ~~of an~~for such SCM, which may ~~hold~~have 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, each Indirect Gross 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, each Custodial 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.

In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

~~1.6.2 — Further accounts~~

~~At the Clearing House's discretion, further accounts may be opened from time to time.~~

~~1.6.3~~ 1.6.3 Client Excess

A Clearing Member can transfer Client Excess in accordance with Section 1.10 of Procedure 4 (*Margin and Collateral*).

~~1.6.4 — Default Fund (DF) Account~~

~~Each SCM's Default Fund Contribution is held on a separate account. The DF account code is "F".~~

1.7 Variation Margin and NPV Payments

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 57 (*Collateralisation of SwapClear CTM Contracts*) and Regulations 57A (*Settlement of SwapClear STM Contracts and Conversion to SwapClear STM Contract*), 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.

In respect of each SwapClear Transaction that is settled-to-market daily in accordance with Regulations 57A, the obligation of either the relevant SCM or the Clearing House to pay to the other an amount in respect of the change in the net present value of a SwapClear Transaction shall, for the purposes of this Procedure, be referred to as the "NPV Payment".

A single separate calculation in respect of the variation margin and/or NPV Payment owed by or to the relevant SCM shall be performed for (i) an SCM's Proprietary Accounts, (ii) each Individual Segregated Account, Custodial Segregated Account and Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and (iii) each Indirect Gross Sub-Account within an Indirect Gross Account.

Appendix III
Procedures Section 2I



LCH LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

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.

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

References to "**Sections**" shall mean sections in these Procedures.

References to "**Business Day**", "**Calculation Agent**", "**Disruption Fallback**", "**Notional Amount**", "**Reference Currency**", "**Settlement Currency**", "**Settlement Currency Amount**", "**Settlement Date**", "**Settlement Rate**", "**Settlement Rate Option**", "**Trade Date**", "**Valuation Date**", "**Valuation Postponement**" shall carry the meanings given to them in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time with respect to the relevant Currency Pair.

References to "**business day**" shall carry the meaning given to it in the Rulebook.

References to "Currency Pair" are to the relevant currency pairs specified in the Schedule to the ForexClear Regulations.

"**EMTA**" means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

"**EMTA Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date.

"**ForexClear Margin or Settlement Currency**" means

- (a) in the case of a ForexClear NDF Contract, USD; or
- (b) in the case of all other ForexClear Contracts, the ForexClear Currency or ForexClear Currencies elected as such by the FXCCM party to such ForexClear STM Contract at registration of such ForexClear STM Contract, provided that the Clearing House has permitted such currency or currencies to be chosen for such purpose.

"**LCH G10 NDF Contract Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction for a particular Currency Pair that are set forth in the ForexClear Contract Terms.

"**NPV Payment**" means, in respect of a business day and a ForexClear STM Contract that is settled-to-market daily in accordance with Regulation 106A, the amount or amounts paid by either the relevant FXCCM or the Clearing House to the other on such business day in respect of the change in the net present value of that ForexClear STM Contract (or the obligations thereunder) in accordance with the ForexClear STM Terms applicable to that ForexClear STM Contract.

1.2 Service Scope

1.2.1 Eligibility: ForexClear Transactions may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the applicable ForexClear Eligibility Criteria (as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time).

1.2.2 Service Operating Hours

- (a) *Opening Days*: The ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.
- (b) *Opening Hours*: 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

An FXCCM 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:](#)

~~Each Proprietary Account will map to two sub-accounts~~

- (A) ~~a~~ [one or more](#) position ~~account~~ [accounts](#); and
- (B) ~~a~~ [one or more](#) collateral ~~account~~ [accounts](#).

(ii) Client Accounts

(A) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.12 (~~ForexClear Client Clearing~~ ~~ForexClear Client Clearing~~) below, an FXCCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (1) Individual Segregated Accounts;
- (2) Indirect Gross Accounts;
- (3) Non-Identified Client Omnibus Net Segregated Accounts;

- (4) Identified Client Omnibus Net Segregated Accounts;
 - (5) Affiliated Client Omnibus Net Segregated Accounts;
 - (6) Omnibus Gross Segregated Accounts; and/or
 - (7) Indirect Net Accounts.
- (iii) Each Client Account will map to two or more sub-accounts:
- (A) one or more position accounts; and
 - (B) one or more collateral accounts.

~~(b) — The ForexClear Service provides for:~~

- ~~(i) — a single house position-keeping account with the account code "H" in respect of ForexClear Clearing House Business and a collateral account associated with the "H" house position-keeping account;~~

(b) *Position-Keeping Accounts*

- (i) Each FXCCM's position and financial information are identified by position-keeping accounts corresponding to a single character code: H for the FXCCM's house business; C for ForexClear Client Clearing Business; and, as applicable, Q for ForexClear Liquidity Fund Contributions.

- ~~(A)~~(ii) Sub-accounts within the 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") of the relevant branch/ FXD (please see Section 1.1.1(a)1.2.4).

~~(B) — Sub-accounts within the FXCCM's "H" house position-keeping account will be associated with the single collateral account of the FXCCM and information contained across the house position-keeping sub-accounts is consolidated into the single "H" account of each FXCCM.~~

~~(c) — a single client position-keeping account with the account code "C" in respect of Other Accounts~~

(i) *Operational Accounts*

The Clearing House will open operational accounts, in respect of an FXCCM, which are used to record cash and securities balances and its ForexClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant

FXCCM. ForexClear Operations will provide details of such accounts to an FXCCM upon request.

(ii) ForexClear Client Clearing

If an FXCCM engages in ForexClear Client Clearing Business~~and, the Clearing House will maintain a client "C" position-keeping account 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 afor such FXCCM, which may holdhave any number of 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, each Indirect Gross 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.

In the case of Omnibus Gross Segregated Accounts, the relevant segregated sub-accounts of the "C" position-keeping account and the client "C" collateral 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.

~~(ii)~~ In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client). _____

~~(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*

- (a) Submission of a static data form to LCH's Onboarding 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 "H" position-keeping account.
- (b) Because the single account reflects the consolidated balances and liabilities of the FXCCM, the balances and liabilities associated with

Appendix IV
Procedures Section 2J



LCH LIMITED

PROCEDURES SECTION 2J

LISTED INTEREST RATES CLEARING SERVICE

CONTENTS

Section	Page
1. The LISTED INTEREST RATES Clearing Service.....	1
1.1 Introduction	1
1.2 General Information	3
1.3 Registration	4
1.4 Proprietary Accounts and Client Accounts	7 8
1.5 Margin and Collateral.....	10 9
1.6 Trade and Position Management	12
1.7 Option Exercise and Expiry	14
1.8 [Reserved]	16 15
1.9 Deliverable Bond Futures – Delivery Procedures	16 15
1.10 Long Gilt	18
1.11 German Government Bond (Euro Bund)	24
1.12 German Government Bond (BOBL)	30
1.13 German Government Bond (Schatz)	35
1.14 Listed Interest Rates Client Clearing.....	40
1.15 Indirect Clearing.....	41
2. PORTFOLIO MARGINING SERVICE	44
Schedule 1 Account Sale	45
Schedule 2 Invoice (Gilts)	46
Schedule 3 Long Gilt Future Delivery Instruction for Sellers (Gilts)	47
Schedule 4 Long Gilt Future Delivery Instruction for Buyers (Gilts).....	48
Schedule 5 Account Sale (Euro Bund)	49
Schedule 6 Invoice (Euro Bund).....	50
Schedule 7 German Govt. Bond (Euro Bund) Future Delivery Instruction for Sellers (Euro Bund).....	51
Schedule 8 German Govt. Bond (Euro Bund) Future Delivery Instruction for Buyers (Euro Bund).....	52
Schedule 9 Account Sale (BOBL)	53
Schedule 10 Invoice.....	54
Schedule 11 BOBL Future Delivery Instruction for Sellers	55
Schedule 12 BOBL Future Delivery Instruction for Buyers (BOBL)	56
Schedule 13 Account Sale (Schatz)	57
Schedule 14 Invoice (Schatz).....	58
Schedule 15 Schatz Future Delivery Instruction for Sellers (Schatz).....	59
Schedule 16 Schatz Future Delivery Instruction for Buyers	60

1. THE LISTED INTEREST RATES CLEARING SERVICE

1.1 Introduction

1.1.1 Background

These Procedures apply to the clearing of Listed Interest Rates Eligible Products listed for trading on Rates Exchanges, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Listed Interest Rates 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. Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the Listed Interest Rates Contract Terms.

The Rulebook (including these Procedures) and the Listed Interest Rates Contract Terms are subject to change from time to time. Enquiries regarding these Procedures or any other aspects of the operation of the Listed Interest Rates Clearing Service should be directed to the Listed Rates Clearing House Client Services Department on +44 7426 7651 or ListedRates.Ops.UK@lch.com. Enquiries regarding Listed Interest Rates Clearing Member status should be directed to the Onboarding Department on +44 (0) 20 7426 7949 or onboarding@lch.com.

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 Rates Exchange Rules), these Procedures shall prevail.

Enquiries relating to (i) trading Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the Listed Interest Rates Contract Terms of any Listed Interest Rates Contract other than a Designated Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing Listed Interest Rates Contracts; (ii) the Rulebook ; or (iii) the Listed Interest Rates Contract Terms of any Designated Listed Interest Rates Contracts should be directed to the Clearing House.

1.1.2 Interpretation

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

Except where otherwise stated, all times shown are London time and the twenty four hour clock is used.

1.1.3 Listed Interest Rates Eligible Products

Listed Interest Rates Clearing Members are advised for the purposes of the Regulations and these Procedures that the list of Listed Interest Rates Eligible Products may be found on the Clearing House's website (www.lch.com).

- (i) the relevant Listed Interest Rates Eligibility Criteria are not met;
- (ii) such transaction or particulars (as applicable) have as their subject a product which is not a Listed Interest Rates Eligible Product;
- (iii) such transaction or particulars (as applicable) contain invalid or incomplete message data;
- (iv) such transaction or particulars (as applicable) are required or requested by any Regulatory Body or the relevant Rates Exchange to be rejected or treated as void or voided; or
- (v) the Clearing House considers that rejection is advisable for its own protection or the protection of the relevant market.

If the Clearing House rejects the registration of a Listed Interest Rates Novation Transaction or a Rates Exchange Match, the relevant Clearing Members and relevant Rates Exchange will be notified of such rejection within the required timeframe under all Applicable Law.

If a Listed Interest Rates Novation Transaction or the particulars of a Rates Exchange Match are presented to the Clearing House for registration and rejected, such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) may be re-presented for registration in the form of a new Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) but with the same economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) will, for the purposes of the Rulebook and upon such re-presentation, constitute a new Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable).

Listed Interest Rates Novation Transactions must be executed, matched and presented for registration prior to the relevant Rates Exchange deadline for registration. Any Listed Interest Novation Transactions presented after that time will be rejected.

Where a transaction or particulars (as applicable) are rejected by the Clearing House, no Listed Interest Rates Contracts arise between the Clearing House and the Listed Interest Rates Clearing Members concerned. Subject to Regulation 52(e), the Clearing House has no liability in respect of such rejection.

1.3.7 *Notification*

All registered Contracts are listed on the Clearing Member statement available via the Member reporting website. Listed Interest Rates Clearing Members participating in the Portfolio Margining Service will also be notified via the Member reporting website of transfers of Identified Off-Setting Listed Interest Rates Contracts as described more fully in Section 2C (SwapClear) of the Procedures.

1.4 **Proprietary Accounts and Client Accounts**

1.4.1 *Proprietary Accounts*

A Listed Interest Rates 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) ~~a~~one or more position ~~account~~accounts; and
- (b) ~~a~~one or more collateral ~~account~~accounts.

1.4.2 *Client Accounts*

(a) *Types of Client Account*

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.14 (*Listed Interest Rates Client Clearing*) below, a Listed Interest Rates Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (i) Individual Segregated Accounts;
 - (ii) Indirect Gross Accounts;
 - (iii) Non-Identified Client Omnibus Net Segregated Accounts;
 - (iv) Identified Client Omnibus Net Segregated Accounts;
 - (v) Affiliated Client Omnibus Net Segregated Accounts;
 - (vi) Omnibus Gross Segregated Accounts; and/or
 - (vii) Indirect Net Accounts.
- (b) Each Client Account will map to two or more sub-accounts:
- (i) one or more position accounts; and
 - (ii) one or more collateral accounts.

1.4.3 ~~Clearing Member~~Position Accounts—~~Position Keeping Account(s)~~

For identification purposes, each Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic. A Listed Interest Rates Clearing Member's position and financial information are further identified by position-keeping accounts corresponding to a single character code: "C" for Listed Interest Rates Client Clearing ~~Client~~ Business; and "H" for Listed Interest Rates Clearing House Business. The H account is obligatory. The C account will be used in respect of any Listed Interest Rates Clearing Member which engages in Listed Interest Rates Client Clearing Business.

1.4.4 ~~Relationship between Position~~Operational Accounts ~~and Collateral Accounts~~

The Clearing Member positionHouse will open operational accounts ~~have collateral accounts associated with them. These~~in respect of a Listed Interest

Rates Clearing Member, which are, ~~inter alia,~~ used to record cash and securities balances and ~~securities. Information contained within a position keeping account is consolidated with~~ its Listed Interest Rates Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the associated collateral account, as follows:

<u>Account Type</u>	<u>Collateral Account</u>
HOUSE	H
MARKET MAKER (H)	H
INITIAL ALLOCATION	€
MARKET MAKER (C)	€
CLIENT	€

~~Only the H account is obligatory. The C account will be used in respect of any relevant Listed Interest Rates Clearing Members. Listed Interest Rates Operations will provide details of such accounts to a Listed Interest Rates Clearing Member that upon request.~~

1.4.5 Listed Interest Rates Client Clearing Business

If a Listed Interest Rates Clearing Member engages in Listed Interest Rates Client Clearing Business:-

~~By accepting a trade into a position keeping account a Listed Interest Rates Clearing Member is also deemed to be designating that trade for the associated collateral account.~~

Each, the Clearing House will maintain a client "C" position-keeping account and ~~the~~ a client "C" collateral account ~~of a~~ for such Listed Interest Rates Clearing Member, which may ~~hold~~ have any number of segregated sub-accounts.- Each Individual Segregated Account of the Listed Interest Rates 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, each Indirect Gross Account of the Listed Interest Rates 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. In the case of Indirect Gross Accounts, the relevant segregated sub-accounts of the client "C" position-keeping account will be further segregated into position-keeping sub-accounts for each Indirect Gross Sub-Account (relating to each Indirect Clearing Client).

~~1.4.5—Other Accounts~~

~~The Clearing House may, at its discretion, open further accounts.~~

~~1.4.6—Default Fund (DF) Account~~

~~Each Listed Interest Rates Clearing Member's Default Fund Contribution is held on a separate account. The Default Fund account code is 'F'.~~

1.5 Margin and Collateral

1.5.1 Initial Margin

Separate initial margin calculations are performed for a Listed Interest Rates Clearing Member's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account. No offset between the Proprietary Accounts and the Client Accounts is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule) and no offset between any Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

Margin requirements in respect of Listed Interest Rates Contracts are calculated net per account (except in the case of an Indirect Gross Account, where the margin requirements are calculated net per Indirect Gross Sub-Account), meaning that if long and short Listed Interest Rates Contracts are held in the same account in the same delivery month for futures, or the same series for options, the initial margin requirement is calculated by reference to the net position of such Listed Interest Rates Contracts.. The Clearing House will calculate an account's (or, in the case of an Indirect Gross Account, an Indirect Gross Sub-Account's) net position in respect of any Designated Listed Interest Rates Contract by reference to all trading in such Contract on Designated Rates Exchanges.

(a) Initial Margin Parameters

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange(s). 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.

(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 of Procedure 3 (*Financial Transactions*)).