



**LCH LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

---

## CONTENTS

Section	Page
1. Swapclear Clearing Service.....	3
1.1 The Clearing Process.....	3
1.2 Operating Times and Calendars .....	6
1.3 Registration .....	6
1.4 Proprietary Accounts and Client Accounts .....	20
1.5 Position Accounts.....	21
1.6 Other Accounts.....	23
1.7 Variation Margin and NPV Payments.....	24
1.8 Coupon Payments.....	28
1.9 Initial Margin.....	31
1.10 Tenor Basis Risk Margin Add-on .....	33
1.11 Intra-Day Margin Call: Collateral Management .....	33
1.12 Price Alignment Interest (PAI) and Price Alignment Amount Rate .....	33
1.13 Transfer of SwapClear Contracts between Client Accounts and Proprietary Accounts .....	34
1.14 Indirect Clearing.....	35
1.15 Portfolio Transfers (BAU).....	37
1.16 Compression.....	45
1.17 Duo Compression .....	47
1.18 Amendment of Trade References.....	49
1.19 Trade Reference Amendment Request Form .....	49
1.20 Custodial Segregated Accounts.....	50
1.21 SwapClear STM Contracts and SwapClear CTM Contracts – Elections and Conversions.....	50
1.22 SwapClear Client Clearing.....	50
1.23 Tax Documents – Non-cash Collateral .....	51
1.24 Early Termination Events.....	51
1.25 Termination of SwapClear Dealer Status .....	51
1.26 Payment of Stamp Tax .....	52
1.27 Section 168, Finance Act 1994.....	52
1.28 Default Management .....	53
1.29 Provision of Tax Forms; Withholding Taxes; Sales Tax .....	64
1.30 Approved Compression Services Providers .....	64
1.31 Provision of Market Data .....	65

1.32	Notifications via Approved Trade Source Systems .....	70
1.33	Basis swap splitting .....	70
1.34	Actions in Respect of an FCM Client Default .....	71
2.	PORTFOLIO MARGINING SERVICE .....	71
2.1	Introduction .....	71
2.2	Opt-In Procedure .....	72
2.3	PM Eligibility Criteria .....	73
2.4	Eligible Accounts .....	73
2.5	Portfolio Margining Arrangements .....	74
2.6	Portfolio Margining Reports .....	76
Schedule 1 Group	Confidentiality, Non-Disclosure and Participation in the Default Management 77	
Schedule 2	RATE CHANGE ANNEXES .....	83
Schedule 3	<u>SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX – EURO OVERNIGHT INDEX AVERAGE (EONIA)</u> .....	113
Schedule 4	<u>SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX – LIBOR (OTHER THAN USD LIBOR)</u> .....	120
SCHEDULE 5	<u>SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX – USD LIBOR</u> .....	141
Schedule 6	<u>SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX – SGD SOR</u> .....	157
Schedule 7	<u>SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX – THB-THBFIX</u> .....	168

## 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](mailto: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<sup>3</sup>
- (j) reporting of registered trades.

SwapClear Transactions presented to the Clearing House for clearing via an Approved Trade Source System will (subject to all requirements prescribed by the Clearing House being met) be cleared by the SwapClear clearing system to create two SwapClear Contracts (or one SwapClear Contract and one FCM SwapClear Contract). Information regarding SwapClear Contracts and margin reporting will be disseminated via the SwapClear Clearing Member reporting system (see Section 1.1.3).

#### 1.1.2 *Clearing House System Requirements*

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

#### 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:

- (a) Clearing Member reports;
- (b) Approved Trade Source Systems; and
- (c) the 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 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.

#### 1.1.4 *Clearing House Reporting*

- (a) 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 each case as required by Applicable Law.

- (b) The Clearing House will report to the Japanese Financial Services Authority (the “**JFSA**”) details of all non-Yen SwapClear Transactions of a SwapClear Clearing Member where such SwapClear Clearing Member has a branch operating in Japan, unless such SwapClear Clearing Member provides the Clearing House with one of the following:
- (i) Confirmation that it does not execute any SwapClear Transactions through its Japanese branch (such that no SwapClear Transactions will be reported to the JFSA by the Clearing House); or
  - (ii) Details of the identifier through which the relevant SwapClear Clearing Member executes all of the SwapClear Transactions of its Japanese branch (such that only the SwapClear Transactions associated with that identifier will be reported to the JFSA by the Clearing House).

SwapClear Clearing Members shall notify the Clearing House in the event of any changes to its reporting obligations pursuant to this Section 1.1.4(b).

- (c) For purposes of reporting obligations to the CFTC, SwapClear Clearing Members may only report details of SwapClear Contracts, including terminations and modifications to a SwapClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event a SwapClear Clearing Member wishes to report details of SwapClear Contracts to a swap data repository that is not an Approved LCH SDR, the SwapClear Clearing Member must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

SwapClear Clearing Members must inform their respective SwapClear Clearing Clients of the list of Approved LCH SDRs, and inform such SwapClear Clearing Clients that the Clearing House is only able to report details of a SwapClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the SwapClear Clearing Member has a reporting obligation), SwapClear Clearing Members must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e. “OriginalSwapRepository” or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

## 1.2 Operating Times and Calendars

### 1.2.1 *Opening Days*

The SwapClear Service will be open every day, except weekends, Christmas Day, New Year's Day and Good Friday<sup>1</sup>.

### 1.2.2 *Opening Hours*

Unless notified otherwise, the SwapClear Service will be operational on each business day that is:

- (a) a Monday from 02:00 (London time) to 2:05 (London time) on Tuesday;
- (b) a Friday from 06:00 (London time) to 19:00 (New York time); and
- (c) not a Monday or Friday from 6:00 (London time) to 2:05 on the following day.<sup>23</sup>

The Clearing House will notify SwapClear Clearing Members if the SwapClear Service is scheduled for closure for operational or other reasons (including compression runs).

### 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 Section 1.1.3).

With respect to SwapClear Contracts that are denominated in Israeli Shekel, the Clearing House will not recognise Sunday as a Business Day for the purposes of the SwapClear Contract Terms.

## 1.3 Registration

### 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: (a) SwapClear Clearing Members (or the SCM Branch of any such SwapClear Clearing Member); (b) SwapClear

---

<sup>1</sup> While the SwapClear Service is generally closed on Good Friday, the Clearing House may, by prior written notice to SCMs, open the SwapClear Service on such day, in which case it will be a business day.

<sup>2</sup> However, the Clearing House will continue to accept Necessary Consents until one minute after closure of the SwapClear Service.

<sup>3</sup> The SwapClear Service may, in the Clearing House's absolute discretion, be operational beginning (a) 00:00 London time on a business day that is a Monday, or (b) 04:00 London time on a business day that is not a Monday.

Dealers; (c) SwapClear Clearing Clients; (d) FCM SwapClear Members; and (e) in respect of Risk Neutralisation, the Clearing House.

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 bilaterally agreed by two Executing Parties or otherwise executed by or on behalf of two Executing Parties on a Trading Venue, 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.

Prior to and as a precondition to the registration of an eligible SwapClear Transaction, the relevant SwapClear Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of SwapClear Transaction to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (a) notification pursuant to this paragraph is not received by the Clearing House, (b) the relevant SwapClear Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (c) such approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject any relevant SwapClear Transaction.

### **Standard Coupon Inflation Swap Contracts**

SwapClear Transactions that are standard coupon inflation swap contracts and presented to the Clearing House for registration must be presented with the International Securities Identification Number for the Related Bond (as defined in the ISDA 2008 Inflation Definitions) (the "Bond ISIN"). The Bond ISIN associated with a SwapClear Transaction shall only be used for registration of the resulting SwapClear Contract, and shall not be used for any other purposes, including in relation to any provisions under the ISDA 2008 Inflation Definitions.

For the avoidance of doubt, the Clearing House shall reject any SwapClear Transaction presented for registration that contains an inflation floor (embedded or otherwise).

#### *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 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 ClearLink API or otherwise ("**Notification**"). Where a SwapClear Clearing



Member is nominated to clear both SwapClear Contracts arising from the registration of a SwapClear Transaction 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. All Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no Notification will be provided to any SwapClear Clearing Member.

In respect of a SwapClear Transaction that is not a 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 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 expiry of the timeframe determined by the Clearing House. 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 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 Client Buffer 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 not be required to be provided prior to registration as a condition thereto if such SwapClear Transaction is a Sub-Block Trading Venue Transaction. For the avoidance of doubt, in respect of the registration of a

SwapClear Transaction other than a Sub-Block Trading Venue Transaction, each SwapClear Clearing Member or the relevant SwapClear Clearing Member and FCM Clearing Member must have complied with all requirements to provide sufficient Collateral (taking into account Client Buffer and/or SwapClear Tolerance, if any) at the time when it submitted or was deemed to have submitted (as applicable) the relevant SwapClear Transaction.

In exceptional circumstances, where a Clearing Member experiences technical issues such that it is unable to accept or reject a Notification, it may contact the Clearing House via email to request that a SwapClear Transaction to which a Notification relates be accepted or rejected on its behalf. In such circumstances, and unless the Clearing House notifies the Clearing Member otherwise, the Clearing House will manually accept or reject the SwapClear Transaction on behalf of the requesting Clearing Member and will confirm registration or rejection of the SwapClear Transaction via email. In the event that a Clearing Member requests the manual acceptance or rejection of a SwapClear Transaction it shall ensure that such acceptance is requested by appropriately authorized personnel. The Clearing House shall have no liability in the event that a Clearing Member suffers a loss through the unauthorised manual acceptance or rejection of a SwapClear Transaction.

Where, in the context of a Default, the Clearing House executes a hedging SwapClear Transaction, which is:

- (a) not a Trading Venue Transaction, with a Hedging Rates Service Clearing Member for the purpose of Risk Neutralisation, and such SwapClear Transaction is presented for clearing to the Clearing House, the Defaulting Rates Service Clearing Member shall be deemed to have received a Notification, in respect of such SwapClear Transaction, and to have notified a Necessary Consent, in respect of such SwapClear Transaction, to the Clearing House before the relevant LCH Cut-off Time; and
- (b) a Trading Venue Transaction, with a Hedging Rates Service Clearing Member for the purpose of Risk Neutralisation, and such SwapClear Transaction is presented for clearing to the Clearing House, the Trading Venue on which such SwapClear Transaction was executed shall be deemed to be an Eligible Trading Venue, in respect of the Defaulting Rates Service Clearing Member, at the time of execution of such SwapClear Transaction and such SwapClear Transaction shall be deemed to be an Eligible Trading Venue Transaction, in respect of the Defaulting Rates Service Clearing Member.

### 1.3.3 *Client Buffer, SwapClear Tolerance and Standing Order Amount*

#### *Client Buffer*

- (a) The Clearing House will allocate Client Buffer to the Client Accounts of an SCM, in accordance with paragraphs (b) to (f) below, in order to facilitate the registration of SwapClear Contracts to such Client

Accounts or to otherwise satisfy the Total Required Margin Amounts of such Client Accounts.

- (b) The Clearing House will at all times (except as provided under paragraph (e)(i) below) calculate:
- (i) in respect of each Client Account (other than an Omnibus Gross Segregated Account), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such Client Account; and
  - (ii) in respect of the sub-account referable to a Single Omnibus Gross Segregated Clearing Client or a group of Combined Omnibus Gross Segregated Clearing Clients (as applicable), the amount (if any) by which the Base Liability exceeds the Available Collateral Value for such sub-account,

where each such amount calculated is the “**Margin Shortfall**” for the relevant Client Account or sub-account (as applicable).

- (c) The Clearing House will automatically, and without further reference to the relevant SCM, allocate Client Buffer of such SCM to:
- (i) a Client Account (other than an Omnibus Gross Segregated Account) of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such Client Account, up to a maximum of such Margin Shortfall; and
  - (ii) the sub-account of an Omnibus Gross Segregated Account of such SCM, which has a Margin Shortfall, equal to the total amount of Client Buffer held on behalf of such SCM multiplied by the Shortfall Ratio for such sub-account, up to a maximum of such Margin Shortfall.
- (d) As part of the end of day margin and settlement call, the Clearing House will call each SCM for Collateral to cover the liabilities of its Client Accounts which are, at that point, being covered by Client Buffer.
- (e) The Clearing House will perform the allocation of Client Buffer in accordance with paragraph (c) above on an ongoing basis, except that:
- (i) subject to paragraph (e)(ii) below, where the Clearing House calls an SCM for end of day margin and/or settlement payments in respect of a business day, all calculations of Margin Shortfalls and allocations of Client Buffer will be suspended and all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, will remain in force from the time (as determined by the Clearing House) at the end of the period, for which the Clearing House has determined such end of day margin and/or settlement payments, until such time as the SCM

satisfies such call (and at which time the Clearing House will resume calculation of Margin Shortfalls and allocation of Client Buffer in accordance with paragraphs (b) to (f)); and

- (ii) notwithstanding paragraph (e)(i) above, if an SCM fails to meet any of its obligations to the Clearing House, the Clearing House may cease such allocation process and determine that all existing allocations of Client Buffer, in respect of the Client Accounts of such SCM, remain in force from the time specified by the Clearing House (until such later time as determined by the Clearing House, when it will resume allocation of Client Buffer in accordance with paragraphs (b) to (f)).
- (f) Where Client Buffer has been allocated to a Client Account, such Collateral shall be recorded in, and form part of, the Clearing Member Current Collateral Balance in respect of such Client Account.
- (g) Where the Clearing House determines, after applying the allocation process in paragraph (c) above, that an amount of Client Buffer will no longer be allocated to a Client Account of an SCM (because either (i) there are no Margin Shortfalls, in respect of the SCM's Client Accounts, or (ii) the total amount of Client Buffer exceeds the total Margin Shortfalls, in respect of such SCM's Client Accounts), it will be returned and re-recorded by the Clearing House to the Client Buffer Account of such SCM (until such time as allocated again to a Client Account in accordance with paragraph (c) above) and will cease to form part of the Clearing Member Current Collateral Balance of such Client Account.
- (h) Prior to the Default of an SCM or the occurrence of a Termination Date specified by such SCM under Regulation 45, amounts standing to the credit of its Client Buffer Account are not available to support House Clearing Business and can only be used to support its SwapClear Client Clearing Business.

#### *SwapClear Tolerance*

- (i) The Clearing House may provide each SCM with initial margin forbearance (“**SwapClear Tolerance**”) in accordance with paragraphs (j) to (o) below, in order to facilitate the registration of SwapClear Contracts in the Proprietary Account(s) and/or Client Account(s) of such SCM or where the SCM has otherwise not transferred sufficient Collateral to the Clearing House (taking into account any Client Buffer transferred to a Client Account).
- (j) Subject to paragraphs (l), (m) and (n) below, the allocation of SwapClear Tolerance to:
  - (i) the Proprietary Account of an SCM will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House's daily margin and settlement calls;

- (ii) the Client Accounts of an SCM who does not use Client Buffer will be adjusted, as and when necessary, in respect of shortfalls in Collateral following the Clearing House's daily margin and settlement calls; and
- (iii) the Client Accounts of an SCM who uses Client Buffer will be adjusted on an ongoing basis, after the allocation of Client Buffer by the Clearing House pursuant to paragraphs (c) and (e) above, such that in respect of:
  - (A) a Client Account (other than an Omnibus Gross Segregated Account), the Clearing House will allocate SwapClear Tolerance to such account equal to the amount (if any) by which the Margin Shortfall, in respect of such Client Account, exceeds the Client Buffer allocated to it; and
  - (B) a sub-account of an Omnibus Gross Segregated Account, the Clearing House will allocate SwapClear Tolerance to such sub-account equal to the amount (if any) by which the Margin Shortfall, in respect of such sub-account, exceeds the Client Buffer allocated to it.
- (k) SwapClear Tolerance does not, for the avoidance of doubt, give rise to any payment or transfer of Collateral from the Clearing House or result in any use of Default Fund resources (except following a Default).
- (l) Notwithstanding paragraph (j) above, the Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) available to an SCM at a given time (the "**SwapClear Tolerance Limit**").
- (m) Notwithstanding paragraph (j) above, the Clearing House may adjust the value of such SwapClear Tolerance Limit and will notify each SCM of its SwapClear Tolerance Limit and of any adjustment to such SwapClear Tolerance Limit.
- (n) Notwithstanding paragraph (j) above, an SCM will ordinarily be required to transfer Collateral to the Clearing House in respect of its utilised SwapClear Tolerance in the margin and settlement call immediately following such use, provided that the Clearing House may require an SCM to transfer Collateral to the Clearing House in respect of utilised SwapClear Tolerance at any time and without prior notice.
- (o) The failure of an SCM to satisfy any call for Collateral in respect of utilised SwapClear Tolerance may give rise to a Default by such SCM.

#### *Standing Order Amount*

- (p) An SCM may elect to maintain a minimum level of Client Excess, in respect of its Primary Client Account, or House Excess at the start of a

business day (each such amount, a “**Standing Order Amount**”). The Clearing House may approve such election in its sole discretion. Upon the effectiveness of such election, if, at the end of a business day, the amount of the SCM’s Client Excess, in respect of its Primary Client Account, or House Excess is less than the applicable Standing Order Amount, the Clearing House will call the SCM for an amount of cash Collateral equal to the difference. Any amount so called and received by the Clearing House pursuant to this section shall constitute Collateral, in respect of the SCM’s Primary Client Account, or Collateral, in respect of the SCM’s Proprietary Account, as applicable, of the SCM.

- (q) The form and manner of an election by an SCM pursuant to paragraph (p) above shall be determined by the Clearing House in its sole discretion (a “**Standing Order Request**”). In the event an SCM wishes to rescind or modify its Standing Order Request, it must contact the Clearing House’s Client Services Department (ratesclientservices@lch.com). The Clearing House may reduce the Standing Order Amount or terminate a Standing Order Request in its sole discretion.
- (r) Through submitting a Standing Order Request, an SCM warrants that the individual making the request on behalf of the SCM is appropriately authorised to do so.

#### 1.3.4 *Approved Trade Source Systems and Trading Venues*

##### (a) Approved Trade Source Systems

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 currently approved by the Clearing House 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" basis and, subject to the Rulebook, 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.

(b) Trading Venues

While the Clearing House receives details of a SwapClear Transaction via an Approved Trade Source System pursuant to section 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 Trading Venue (where such SwapClear Transaction is executed on such Trading Venue). Additionally, the Clearing House may rely on details relating to a SwapClear Transaction obtained from a Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 55 (*Registration of SwapClear Contracts*). In this regard, the Clearing House may direct the Trading Venues to use prescribed format messages or classifications.

Notwithstanding the approval by the Clearing House of any 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 Trading Venue or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Trading Venue to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Trading Venue.

The Clearing House will process any SwapClear Transaction reported to it by a 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 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 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 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 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.

#### 1.3.5 *Registration of New Trades*

The following section does not apply to Backloaded Trades, which are dealt with in section 1.3.6 below.

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, 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 margin requirements, variation margin requirements, and/or the settlement payment obligations (as applicable) relating to such Contract as a precondition to registration (taking into account any Client Buffer and/or SwapClear Tolerance, if any). In accordance with Regulation 55(e)(iv) (*Registration of SwapClear Contracts*), a SwapClear Clearing Member becomes obligated to transfer such Collateral (taking into account any Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House at the time when the relevant SwapClear Transaction (that is not a Sub-Block Trading Venue Transaction) has been submitted or deemed to be submitted (as applicable) by the SwapClear Clearing Member and such SwapClear Clearing Member shall transfer such Collateral to the Clearing House prior to registration of the resulting SwapClear Contract. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction, 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 SwapClear Contract resulting from a SwapClear Transaction that is not a Sub-Block Trading Venue Transaction 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 55 and any other applicable



provision of the Rulebook, and (ii) if the Clearing House rejects a SwapClear Transaction that is a Sub-Block Trading Venue Transaction for reasons of insufficient Collateral, 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, the Clearing House will determine whether to accept or reject the SwapClear Transaction within the required timeframe under all Applicable Law.

Where the Clearing House determines to accept the SwapClear Transaction, registration shall occur immediately and the SwapClear Transaction shall be automatically replaced with (as applicable) (i) two separate SwapClear Contracts, one between the relevant SwapClear Clearing Member and the Clearing House and the other between the same or another SwapClear Clearing Member and the Clearing House, or (ii) one SwapClear Contract between the relevant SwapClear Clearing Member and the Clearing House and one FCM SwapClear Contract between the relevant FCM Clearing Member and the Clearing House. 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 and/or the FCM Clearing Member reporting system (as applicable) (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 1.1.3) on the SwapClear Clearing Member reporting account.

### **Non-Standard Fixing Offsets for SwapClear Transactions**

SwapClear Clearing Members may submit for registration SwapClear Transactions that are OIS transactions with non-standard fixing offsets of [-1 to -10] Business Days, where the fixing for any Business Day 'i' in an interest period is equal to the fixing in respect of the Business Day falling [-1 to 10] Business Days prior to such day 'i'. For the avoidance of doubt, SwapClear Contracts registered as OIS transactions with non-standard fixing offsets will retain the underlying set of compounding coupon sub-periods and their respective weights.

### **Open Access**

The Clearing House provides access to Approved Trade Source Systems and Trading Venues on an open and non-discriminatory basis.

#### *1.3.6 Backloading of Existing Trades*

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of presentation of such SwapClear Transaction to the Clearing House for clearing is considered a backloaded trade by the Clearing House (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. 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 which have been presented for clearing or with respect to which the Clearing House has received one or more Necessary Consents, if any. Following each Backload Registration Cycle, the Clearing House will calculate the increase in 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 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 Client Buffer (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 Collateral associated with such Backload Margin Call (the "**Backload Margin Call Deadline**"), the Clearing House will issue such SwapClear Clearing Member with a subsequent margin call to deliver 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, each SwapClear Clearing Member (and each FCM Clearing Member, if applicable) which is party to a Backloaded Trade within that Backload Registration Cycle must 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 such time that the Clearing House determines that sufficient 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.

#### 1.3.7 *Notification*

In respect of a SwapClear Transaction which is:

- (a) a Trading Venue Transaction, the Clearing House will notify the SwapClear Clearing Members, Trading Venue and (if the originating Approved Trade Source System is different from the Trading Venue)

the originating Approved Trade Source System of registration or rejection of the SwapClear Transaction (as applicable); and

- (b) not a Trading Venue Transaction, the Clearing House will notify the SwapClear Clearing Members (via the originating Approved Trade Source System or ClearLink API) of registration or rejection of the SwapClear Transaction (as applicable),

in each case within the required timeframe under all Applicable Law

#### 1.3.8 *Rejected Trades*

Trades presented for registration that do not meet the SwapClear Eligibility Criteria or any other requirement for registration under the Rulebook, including a trade (a) presented by or on behalf of a SwapClear Clearing Member in respect of a third party Executing Party other than a SwapClear Dealer where such trade was executed on a Trading Venue that was not at the time of execution of such trade an Eligible Trading Venue in respect of such SwapClear Clearing Member, (b) presented by or on behalf of a SwapClear Clearing Member that was executed on 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 Trading Venue, (c) which contains invalid or incomplete message data, or (d)(i) which is not a Sub-Block Trading Venue Transaction, and (ii) with respect to which the Clearing House has not received sufficient Collateral (taking into account Client Buffer and/or SwapClear Tolerance, if any) will, in each case, be rejected.

If a trade is presented to the Clearing House for registration and rejected, it may be re-presented for registration in the form of a new trade but with the same economic terms in accordance with, and subject to, the Rulebook and all Applicable Law, and such trade will, for the purposes of the Rulebook and upon such re-presentation, constitute a new trade.

#### 1.3.9 *Package Transactions*

In certain circumstances a SwapClear Clearing Member may, via an Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more SwapClear Transactions for simultaneous registration (such group of SwapClear Transactions, a “**Package Transaction**”). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each SwapClear Transaction that forms part of the Package Transaction as a new SwapClear Transaction in accordance with the Rulebook and, where each constituent SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the Rulebook (including a Necessary Consent and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the

SwapClear Transactions within that Package Transaction. Where one or more of the constituent SwapClear Transactions does not meet the Clearing House's registration requirements then all the constituent SwapClear Transactions of the Package Transaction shall be rejected.

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 a Proprietary Account in respect of its House Clearing Business. A Proprietary Account will map to two or more sub-accounts:

- (a) one or more position accounts; and
- (b) one or more collateral accounts (including, where relevant, a Client Buffer Account and/or an Overnight Funding 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 position accounts; and
  - (ii) one or more 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.

### 1.5.2 Position-Keeping Accounts

#### (a) Clearing Member Accounts

The account types are: H for SwapClear Clearing House Business; and C for SwapClear Client Clearing Business.

An SCM's SwapClear positions are also recorded within the SwapClear clearing system in SwapClear Accounts.

#### (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 and SwapClear Clearing Clients, as applicable, via SwapClear Clearing Member reporting (see Section 1.1.3). Each SwapClear Contract will also be assigned a unique trade identifier by the Clearing House. The SwapClear Clearing Member reporting functionality also allows:

- (i) an SCM to identify (A) all SwapClear Contracts registered in its name, (B) where applicable, all SwapClear Contracts registered in its name and referable to a SwapClear Clearing Client, (C) where applicable, all SwapClear Contracts registered in its name and referable to a SwapClear Clearing Client and an Indirect Clearing Client, and (D) where applicable, all SwapClear Contracts registered in its name which arose as a result of a SD executing a SwapClear Transaction and presenting it to the Clearing House for clearing in the name of such SCM; and
- (ii) a SwapClear Clearing Client to identify (A) where applicable, all SwapClear Contracts registered in the name of an SCM and referable to such SwapClear Clearing Client, (B) where applicable, all SwapClear Contracts registered in the name of an SCM and referable to such SwapClear Clearing Client and an Indirect Clearing Client.

At the request of an SCM or SwapClear Clearing Client, as applicable, the Clearing House may permit the SCM or SwapClear Clearing 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 a 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 SwapClear Contract. By making such request, such SCM, either on its own behalf or on behalf of a SwapClear Clearing 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.

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 Other Accounts

### 1.6.1 *Operational Accounts*

The Clearing House will open operational accounts in respect of an SCM, which are used to record cash and securities balances and its SwapClear Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant SCMs. SwapClear Operations will provide details of such accounts to an SCM upon request

### 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 a client "C" collateral account for such SCM, which may 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).

### 1.6.3 *Client Excess*

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

## 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.

In respect of each Omnibus Gross Segregated Clearing Client (other than a Combined Omnibus Gross Segregated Clearing Client) a single separate calculation in respect of the variation margin and/or NPV Payments owed by or to the relevant SCM shall be 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 separate calculation in respect of the variation margin and/or NPV Payments owed by or to the relevant SCM shall be 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 (except (i) pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule, or (ii) in relation to the transfer of House Excess or Client Buffer in accordance with the Rulebook) 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).

Except as expressly provided herein, Collateral and/or NPV Payments (as applicable) that are provided pursuant to this Procedure must, subject to intra-day registration, be in the form of cash in the currency of the SwapClear Transaction. Except as expressly

provided herein, where a SwapClear Transaction is registered intra-day, and the variation margin obligation and/or NPV Payment obligations (as applicable) is covered with non-cash Collateral, the Clearing House will, the following business day, require the SCM to replace that non-cash amount with cash in the currency of the SwapClear Transaction.

All SwapClear Contracts will be marked-to-market or settled-to-market (as applicable) 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.

Any transfers of cash Collateral by an SCM to the Clearing House in respect of the SCM's variation margin obligations in connection with a SwapClear CTM Contract, or by the Clearing House to an SCM in respect of the Clearing House's variation margin obligations in connection with a SwapClear CTM Contract shall be for the purpose of collateralisation and not settlement of the relevant party's obligations under the relevant SwapClear CTM Contract.

Any NPV Payment made by an SCM to the Clearing House under a SwapClear STM Contract, or by the Clearing House to an SCM under a SwapClear STM Contract, shall be for the purpose of settlement of the applicable party's obligation to pay the required NPV Amount pursuant to the terms of that SwapClear STM Contract and not for the purpose of collateralising any obligations of either party under that SwapClear STM Contract.

#### 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 SwapClear Risk on +44 (0)20 7 426 7549, but may be subject to change without prior notification.

#### 1.7.2 *Official Quotations*

Zero coupon yield curves will use prices and rates taken at:

All times quoted are London time

AUD BBSW & OIS	12:00
BRL	8:20, 13:15 and 19:05
CAD	20:00
CHF LIBOR & OIS	16:30
CLP	8:20, 13:15 and 19:05
CNY	8:20, 13:15 and 19:05

COP	8:20, 13:15 and 19:05
CZK	16:30
DKK	16:30
EURO EURIBOR	16:30
GBP LIBOR	16:30
HKD	12:00
HUF	16:30
INR	8:20, 13:15 and 19:05
JPY LIBOR & OIS	12:00
KRW	8:20, 13:15 and 19:05
MXN	20:00
NOK	16:30
NZD	12:00
PLN	16:30
SEK	16:30
SGD	12:00
THB	8:20, 13:15 and 19:05
TWD	8:20, 13:15 and 19:05
USD LIBOR; SOFR & OIS	20:00
ZAR	16:30
EURO	18:00

OIS	
GBP	18:00
OIS	

Zero coupon yield curves used for daily marking to market or settlement-to-market (as applicable) will be published on the Clearing House's member reporting website at intervals during the day as the prices and rates are captured.

#### 1.7.3 *Net Present Value and Cumulative 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.

On the basis of, amongst other things, the net present value so calculated in relation to a relevant SwapClear Contract, the Clearing House shall calculate the Cumulative Net Present Value of that SwapClear Contract.

It is a condition of registration that sufficient Collateral, as determined by the Clearing House, is held with the Clearing House to cover the variation margin, initial margin and/or NPV Payment obligations (as applicable) in respect of each SwapClear Transaction (taking into account, for these purposes, any SwapClear Tolerance, if any), except that such Collateral shall not be required to be provided prior to registration as a condition thereto if such SwapClear Transaction is a Sub-Block Trading Venue Transaction.

#### 1.7.4 *Price Alignment Interest*

The transfer of Collateral in respect of variation margin 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. In a negative interest rate environment where the applicable PAI Rate is negative, the Clearing House will for each SCM either pay interest on cumulative amounts received by the SCM in respect of variation margin obligations, or charge interest on cumulative amounts paid by the SCM in respect of variation margin obligations.

#### 1.7.5 *Price Alignment Amount*

The payment of NPV Payments by the applicable party on a daily basis would, without adjustment, distort the pricing for certain SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of such NPV Payments, the Clearing House will, for a SCM, either (i) charge a Price Alignment Amount if that SCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) pay a Price Alignment Amount if that

SCM has, on a cumulative net basis, paid NPV Payments to the Clearing House. In a negative interest rate environment where the applicable Price Alignment Amount Rate is negative, the Clearing House will, for a SCM, either (i) pay a Price Alignment Amount if that SCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) charge a Price Alignment Amount if that SCM has, on a cumulative net basis, paid NPV Payments to the Clearing House.

#### 1.7.6 *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate variation margin, NPV Payments, Price Alignment Interest and Price Alignment Amount in relation to SwapClear Contracts that are non-deliverable interest rate swaps in USD, and all amounts due or payable under such SwapClear Contracts must be paid in USD.

### 1.8 **Coupon Payments**

#### 1.8.1 *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see 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.

Notwithstanding the foregoing, with respect to SwapClear Contracts denominated in Israeli Shekel, the Clearing House will not recognise Sunday as a Business Day.

#### 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 and in accordance with the ISDA Definitions:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

### 1.8.3 *Calculation of Floating Amount*

Subject to Section 1.8.5, 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 and in accordance with the ISDA Definitions:

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate (+/- Spread)} \times \text{Floating Rate Day Count Fraction}$$

### 1.8.4 *Calculation of Compounding Floating Amounts*

If applicable, Clearing House will calculate the compounding floating amount payable in respect of a SwapClear Contract on a Payment Date as an amount calculated in accordance with Sections 6.2.2, 6.2.3 or 6.2.4 of the ISDA Definitions (as applicable).

### 1.8.5 *Calculation of FRA Discounting (Section 4.7 of the ISDA Definitions)*

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD or ZAR, the FRA Amount will be calculated in accordance with the formulae in the ISDA Definitions.

### 1.8.6 *Business Day and Business Day Convention*

In determining whether a day is a Business Day, the Clearing House will apply the Financial Centres specified in the matched SwapClear Transaction message, except that, with respect to SwapClear Contracts denominated in Israeli Shekel, the Clearing House will not recognise Sunday as a Business Day.

The Clearing House will, in the event of non-Business Days, apply the Business Day Conventions in accordance with, and as specified in, the matched SwapClear Transaction message, except that, with respect to the effective date of a SwapClear Contract, the Clearing House will adjust such effective date as specified under Section 3.10 of the SwapClear Contract Terms.

### 1.8.7 *Payment of Coupons*

If applicable, the Clearing House will credit or debit Clearing Members' accounts with the appropriate Fixed Amount or Floating Amount with a value date matching the related Payment Date, after adjustment in accordance with the applicable Business Day Conventions. In the event of SwapClear being closed on a Payment Date, it will pay the Fixed Amounts and Floating Amounts on the next business day following such Payment Date.

### 1.8.8 *Calculation Periods*

In respect of any Calculation Period that is not a whole calendar month (a stub period), the applicable 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.

#### 1.8.9 *Day Count Fractions*

Day count fractions will be applied to deal legs of a SwapClear Contract independently, as they are communicated via the matched format message of the SwapClear Transaction corresponding to such SwapClear Contract, and the Clearing House will determine and apply such day count fractions in accordance with the ISDA Definitions.

#### 1.8.10 *Floating Rate*

The Floating Rate Options shall have the meanings given to them in the ISDA Definitions, provided that where the rate for a Reset Date (i) is unavailable (including where such rate ceases, or will cease, to be provided by its administrators), (ii) is not sufficiently robust, (iii) is not fit for purpose or (iv) has materially changed, in each case as determined by the Clearing House in its sole discretion, the Clearing House will determine an alternative rate at its sole discretion. Each such rate will be provided in regular reports by the Clearing House to members.

##### (a) *Applying Floating Rate Options*

The Clearing House will determine the rate applicable on a Reset Date in respect of a SwapClear Contract as set out in the paragraph above. Such 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 Business Day Convention specified.

##### (b) *Negative Interest Rate Method*

SCMs should note the provisions of section 3.3 of Part A of the 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.

#### 1.8.11 *Calculation of Inflation Indices*

The Index level used for calculating the Floating Rate for an Inflation SwapClear Contract is determined according to the 2008 ISDA Inflation Definitions in respect of the Index applicable to such Inflation SwapClear Contract.

In the event an Index is not available to calculate the Index Final, the Clearing House will, in its sole discretion, determine a value for the Index Final.

#### 1.8.12 *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate all coupon payments for SwapClear Contracts that are non-deliverable interest rate swaps, including the Fixed Amount or Floating Amount payable under any such SwapClear Contract, in USD, and all amounts due or payable under such SwapClear Contracts must be paid in USD.

## 1.9 Initial Margin

The Clearing House will require SCMs to transfer Collateral in respect of their initial margin obligations, which are not discharged. 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 Proprietary Accounts and for each Individual Segregated Account, Custodial Segregated Account, Omnibus Segregated Account (other than an Omnibus Gross Segregated Account), and Indirect Gross Sub-Account within an Indirect Gross 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 each 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 each such group of Combined Omnibus Gross Segregated Clearing Clients.

No offset between the "C" and the "H" accounts is allowed (except (i) pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule, or (ii) in relation to the transfer of House Excess or Client Buffer in accordance with the Rulebook) 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).

### 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 Proprietary Account and/or Client Accounts.

### 1.9.2 Counterparty Risk Multiplier

The Clearing House reserves the right to require additional amounts of Collateral from a specific SCM or from all SCMs in accordance with Regulation 20 (*Margin and Collateral*).



### 1.9.3 *Liquidity Multiplier*

Risk Management apply a liquidity multiplier based on 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.

### 1.9.4 *Intra-day Margin Calls*

In accordance with the Regulations, the Clearing House is entitled, where considered necessary, to demand that a Clearing Member transfer additional Collateral to the Clearing House the same day (intra-day margin calls). Intra-day margin calls can be made at any time (between 08:30 and 21:00 (London time) on a business day). Intra-day margin calls will usually be made via the protected payments system (see Section 1.11).

In certain circumstances the Clearing House may require a Clearing Member to transfer additional 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 cash Collateral through PPS facilities in the USA (see Section 1.3 of Procedure 3 (*Financial Transactions*)). **Members must ensure, in these circumstances, that they are in a position to comply with such demands through their nominated US PPS account within one hour of the demand.**

### 1.9.5 Calculation of Initial Margin

#### *Portfolio Approach to Interest Rate Scenarios (PAIRS)*

PAIRS is a historical 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 revalued under a series of scaled historical market moves and initial margin is calculated as the Expected Shortfall (ES) of the portfolio. 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 SwapClear Risk on +44 (0)20 7 426 7549.

### 1.9.6 *Default Fund Additional Margin*

The Clearing House may from time to time require an SCM to transfer Collateral to the Clearing House to meet the default fund additional margin requirement as determined and notified by the Clearing House to such SCM ("DFAM"). The methodology by which the Clearing House determines DFAM is available on the secure area of the Clearing House website. The Clearing House will record any Collateral an SCM has provided to meet its DFAM obligation to the SCM's Proprietary Account.

### 1.9.7 *Collateral for Stress Loss Exposure*

In response to a request from a SwapClear Clearing Member, the Clearing House may require additional Collateral to cover such SwapClear Clearing Member's stress loss exposure with respect to a Client Account (the "**Stress Loss Margin**"). The Stress Loss Margin may be subject to an additional percentage add-on as the Clearing House may require in its sole discretion. The Stress Loss Margin and any add-ons, as applicable, will be called as part of the end of day margin run and by means of morning PPS calls. The request must indicate the percentage of the stress loss exposure that will be covered by Stress Loss Margin. Any request pursuant to this paragraph is subject to the Clearing House's consent in its sole discretion (and the Clearing House may apply a lower percentage than that requested by the SwapClear Clearing Member.)

A SwapClear Clearing Member may cease paying Stress Loss Margin by giving not less than three (3) business days' written notice to the Clearing House.

Before making any request to pay or notifying the Clearing House of ceasing to pay Stress Loss Margin, a SwapClear Clearing Member must obtain the consent of the SwapClear Clearing Client(s) to which the Stress Loss Margin applies. In making any request pursuant to this paragraph, the SwapClear Clearing Member is deemed to represent that it has obtained such consent.

Where SwapClear Contracts entered into by a SwapClear Clearing Member in respect of a SwapClear Clearing Client which has requested to pay Stress Loss Margin are transferred to a Backup Clearing Member or a Receiving Clearing Member (including an FCM Clearing Member), such Backup Clearing Member or Receiving Clearing Member may be required to pay additional initial margin to the Clearing House in the event that it does not pay Stress Loss Margin with respect to the transferring SwapClear Clearing Client(s).

#### 1.10 **Tenor Basis Risk Margin Add-on**

An add-on margin requirement will be applied in respect of tenor basis risk.

#### 1.11 **Intra-Day Margin Call: Collateral Management**

The methods for covering intra-day margin calls are set out in Section 1.11 of Procedure 4 (*Margin and Collateral*).

#### 1.12 **Price Alignment Interest (PAI) and Price Alignment Amount Rate**

The calculation of PAI and Price Alignment Amount shall use the applicable interest rate specified and published on the Clearing House's website.

The Clearing House shall not change the interest rates used for the calculation of PAI and Price Alignment Amount in respect of USD, EUR, GBP, JPY and CHF without the consent of all SwapClear Clearing Members holding open SwapClear Contracts in such currencies.

Notwithstanding the foregoing, in the event the interest rate source used for the calculation of PAI or Price Alignment Amount for USD, EUR, GBP, JPY or CHF (i) is unavailable (including where such rate ceases, or will cease, to be provided by its administrators), (ii) is not sufficiently robust, (iii) is not fit for purpose or (iv) has

materially changed, in each case as determined in the Clearing House's sole discretion, the Clearing House may use an alternative interest rate without the consent of such SwapClear Clearing Members.

If the Clearing House chooses an alternative interest rate for the purposes of calculating PAI and Price Alignment Amount pursuant to Section 1.12, it shall notify all SwapClear Clearing Members in writing by delivering a Rate Change Notice.

### 1.13 **Transfer of SwapClear Contracts between Client Accounts and Proprietary Accounts**

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, is not a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House to transfer the relevant Related SwapClear Contracts from its Client Account to its Proprietary Account.

For the purposes of this 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 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 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 (c) above.

1.13.2 In any other circumstance not covered by Section 1.13.1, Section 1.14, Section 1.15 or Regulation 60, a SwapClear Clearing Member may only instruct the

Clearing House to transfer a SwapClear Contract from its 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 Section 1.13.2 within 24 hours of receipt (to the extent applicable) of the documents listed in paragraphs (a) and (b) above.

## 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 SwapClear Clearing Member and a SwapClear Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Gross Account 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, is not a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

- (a) in circumstances where the SwapClear Clearing Member notifies the Clearing House of a Backup Client in respect of the relevant Indirect Clearing Client, transfer all of the open Related SwapClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to the relevant Indirect Gross Sub-Account referable to the Indirect Clearing Client of the new or existing Indirect Gross Account which the SwapClear Clearing Member has opened in respect of such Backup Client (a "**Client to Client Porting**");
- (b) transfer all of the open Related SwapClear Contracts registered to the Indirect Gross Sub-Account referable to the Indirect Clearing Client to:
  - (i) a new Individual Segregated Account or Custodial Segregated Account opened within the Clearing House by the SwapClear Clearing Member directly on behalf of such Indirect Clearing Client who shall, after such transfer, become a SwapClear Clearing Client in respect of such Client Account; or
  - (ii) a new or existing Omnibus Segregated Account opened within the Clearing House by the SwapClear Clearing Member where such Indirect Clearing Client shall, after such transfer, become a SwapClear Clearing Client in respect of such Omnibus Segregated Account,(each, a "**Direct Account Opening**"); or

- (c) transfer all of the open Related SwapClear Contracts registered to the Indirect Gross Sub-Account referable to the relevant Indirect Clearing Client to its Proprietary Account (an "**Initial Transfer**").

The Clearing House will determine, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, whether a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) is possible within the period of time considered by the Clearing House (in its sole discretion) to be appropriate in the relevant circumstances. In the event of a determination by the Clearing House that the relevant step is impossible within such time period (an "**Impossibility Determination**"), the Clearing House will notify the SwapClear Clearing Member and will not undertake a Client to Client Porting, a Direct Account Opening or an Initial Transfer in respect of the relevant Indirect Clearing Client.

1.14.2 Each of the steps referred to in paragraphs (a), (b) and (c) of Section 1.14.1 above will, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, be subject to the following:

- (a) the Clearing House receiving a copy of the notice from the SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the SwapClear Clearing Client to the relevant SwapClear Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, 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) the Clearing House receiving a copy of the notice from the SwapClear Clearing Member to the relevant SwapClear Clearing Client and the relevant Indirect Clearing Client confirming that the SwapClear Clearing Member will, in accordance with the instructions of the Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related SwapClear Contracts referable to the Indirect Clearing Client;
- (c) the SwapClear Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related SwapClear Contracts are being transferred;
- (d) the Clearing House receiving an indemnity from the SwapClear Clearing Member in a form suitable to the Clearing House; and
- (e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the SwapClear Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

The Clearing House will usually arrange a transfer of the Related SwapClear Contracts referable to an Indirect Clearing Client within 24 hours of receipt of the documents listed in Section 1.14.2(a) to (e).

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 one or more Indirect Clearing Clients in respect of whom the SwapClear Clearing Member clears Contracts with the Clearing House in an Indirect Gross Account.

## 1.15 Portfolio Transfers (BAU)

### 1.15.1 Introduction

The SwapClear Clearing System provides functionality for transfer of one or more Transferring SwapClear Contracts between the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee, including, where relevant, the transfer of an Associated Collateral Balance. For the avoidance of doubt, and subject to the requirements of FCM Regulation 46(p), an FCM Clearing Member, acting for its own account or for the account of an FCM Client, may be an Eligible Transferor or an Eligible Transferee.

For transfers other than Permitted Transfers (as defined in Section 1.15.2 below), please 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.

### 1.15.2 Permitted Transfers

An End-of-Day Full Transfer, End-of-Day Partial Transfer, Intra-Day Non-Bulk Transfer or Intra-Day Bulk Transfer that meets the criteria in any of (a) through (g) below shall be a "**Permitted Transfer**" for purposes of Regulation 60 (*Transfers*) and this Section 1.15. For the avoidance of doubt, a Permitted Transfer may be effected for all or part of the notional amount associated with the Transferring SwapClear Contracts.

- (a) a transfer of one or more Transferring SwapClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;
- (b) a transfer of one or more Transferring SwapClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
- (c) a transfer of one or more Transferring SwapClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary

Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities;

- (d) a transfer of one or more Transferring SwapClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are separate legal entities; and
- (e) a transfer of one or more Transferring SwapClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Proprietary Account; (B) the Transfer Account of the Eligible Transferee is a Client Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity;
- (f) a transfer of one or more Transferring SwapClear Contracts where: (A) the Transfer Account of the Eligible Transferor is a Client Account; (B) the Transfer Account of the Eligible Transferee is a Proprietary Account; and (C) the Receiving Clearing Member and the Carrying Clearing Member are the same legal entity; and
- (g) any transfer that the Clearing House otherwise approves in its sole discretion.

#### 1.15.3 *Transfer Requests*

- (a) Each transfer request (“**Transfer Request**”) pursuant to Regulation 60 (*Transfer*), this Section 1.15 and (where applicable) any relevant Collateral Management Agreement may only be made in respect of a Permitted Transfer and must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time. The Transfer Request shall list all of the Transferring SwapClear Contracts that are to be transferred (including, where relevant, any relevant Associated Collateral Balance). Except for a Transfer Request submitted via the SwapClear Portal, following receipt of a Transfer Request, the Clearing House shall notify the Carrying Clearing Member that a Transfer Request has been received to transfer Transferring SwapClear Contracts. Clearing Members agree that Clearing Clients (including FCM Clients) may submit a Transfer Request on their behalf via the SwapClear Portal.
- (b) In respect of any Permitted Transfer that involves the transfer of all (and not some) of the SwapClear Contracts from the Transfer Account of an Eligible Transferor (with or without the transfer of an Associated Collateral Balance), once the Carrying Clearing Member receives notice that a Transfer Request has been received, the Carrying Clearing Member shall not be permitted to submit additional SwapClear Contracts in the Transfer Account of the Eligible Transferor whose SwapClear Contracts are to be subject to transfer until the time at which the relevant transfer (including the transfer of any relevant Associated Collateral Balance, if applicable) is actually effected, fails or is rejected

in accordance with Regulation 60 (*Transfer*), these Procedures and (where applicable) any relevant Collateral Management Agreement.

#### 1.15.4 *Transfer Notice Period*

The timing for Transfer Requests pursuant to Regulation 60 (*Transfer*), this Section 1.15 and (where applicable) any relevant Collateral Management Agreement will be as prescribed by the Clearing House by way of a member circular.

#### 1.15.5 *Conditions Precedent to Permitted Transfer*

It is a condition precedent to any Permitted Transfer from the Transfer Account of an Eligible Transferor to the Transfer Account of an Eligible Transferee pursuant to Regulation 60 (*Transfer*) and this Section 1.15 that:

- (a) the transfer is a Permitted Transfer as defined in Section 1.15.2;
- (b) the Receiving Clearing Member or the Carrying Clearing Member, as applicable, has provided the Clearing House with:
  - (i) a Transfer Request in the form and manner prescribed by the Clearing House, which may be submitted by a Clearing Client (including an FCM Client) on its behalf; and
  - (ii) such evidence of the authorisation of the Permitted Transfer by the Eligible Transferor, Eligible Transferee and SwapClear Clearing Client, as applicable as the Clearing House may require in its sole discretion;
- (c) neither the Eligible Transferor nor the Eligible Transferee nor the SwapClear Clearing Client, as applicable, has become insolvent (each Eligible Transferor, Eligible Transferee and SwapClear Clearing Client, as the case may be, will be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner reasonably determined by the Clearing House);
- (d) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
- (e) such transfer would not violate or result in the violation of any Applicable Law or regulation, including:
  - (i) the authorisation, registration or other regulatory requirements, if any, that may apply to the Receiving Clearing Member as a consequence of the transfer; and
  - (ii) where the transfer leads to a change in beneficial ownership, the requirements, if any, that may apply to the method of execution by which the Eligible Transferor has sold the Transferring SwapClear Contracts to the Eligible Transferee;



- (f) the Eligible Transferor, Eligible Transferee, the Receiving Clearing Member, the Carrying Clearing Member and SwapClear Clearing Client, as applicable, 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, Client Charge, Collateral Management Agreement, Clearing Membership Agreement and/or a Clearing Agreement);
- (g) the Receiving Clearing Member has consented to the transfer of the Transferring SwapClear Contracts and, where relevant, the Associated Collateral Balance(s);
- (h) the Receiving Clearing Member has transferred (or has made available) sufficient Collateral to the Clearing House in respect of its current SwapClear Contracts and the Transferring SwapClear Contracts;
- (i) the Carrying Clearing Member has not rejected such transfer in accordance with Section 1.15.6 (it being presumed that the Carrying Clearing Member has not so rejected the transfer unless evidenced to the contrary by the Carrying Clearing Member in accordance with this Section 1.15 or as otherwise reasonably determined by the Clearing House);
- (j) in the event that the transfer will lead to a requirement for the Carrying Clearing Member to transfer (or make available) additional Collateral or any other payment to the Clearing House, the Carrying Clearing Member transfers sufficient Collateral or makes such payment to the Clearing House; and
- (k) in relation to a Custodial Segregated Account, any additional conditions that have been agreed between the Clearing House, the Carrying Clearing Member, the Receiving Clearing Member and/or any Custodial Segregated Client have been satisfied.

In the event that any of the conditions set forth above are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied in a manner reasonably acceptable to the Clearing House, the Clearing House shall not proceed with the transfer of the Transferring SwapClear Contracts or, if applicable, the transfer of any Associated Collateral Balance, 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 Transferring SwapClear Contracts of the Eligible Transferor(s), it shall be required to submit a new Transfer Request in accordance with these Procedures.

By requesting a transfer of the Transferring SwapClear Contracts from the Transfer Account of an Eligible Transferor and, if applicable, the Associated Collateral Balance(s) pursuant to Regulation 60, this Section 1.15 and (where applicable) any relevant Collateral Management Agreement, including a request submitted by a Clearing Client (including an FCM Client) on its behalf, 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 have been satisfied.

#### 1.15.6 *Rejection of Transfer Request*

For purposes of paragraph (i) of Section 1.15.5 above, the Carrying Clearing Member may be entitled to reject a particular Transfer Request by notifying the Clearing House (in either electronic or written form as prescribed by the Clearing House) only if:

- (a) the Eligible Transferor 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 the respect to obligations owed to Affiliates of the Carrying Clearing Member by an Eligible Transferor, “**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 Transferring SwapClear Contracts of that Eligible Transferor that are being transferred or that Eligible Transferor’s related collateral;
- (b) the transfer of the Transferring SwapClear Contracts of that Eligible Transferor would result in the Eligible Transferor 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 Eligible Transferor.

#### 1.15.7 *Right to Call Collateral*

Permitted Transfers will only be effected once adequate Collateral is available (which may be as a consequence of margin forbearance or the transfer of an Associated Collateral Balance) in respect of both Transfer Accounts affected by the transfer. In connection with any Permitted Transfer, the Clearing House may call for Collateral in respect of initial and/or variation margin to be deposited in such amounts and at such times as the Clearing House, in its sole discretion, requires. Any Collateral so called and deposited shall be reserved and made available solely in connection with the Permitted Transfer.

#### 1.15.8 *Transfer of Associated Collateral Balance*

Where a Receiving Clearing Member notifies the Clearing House of a proposal to transfer an Associated Collateral Balance in connection with a Permitted Transfer, the Clearing House shall notify the Carrying Clearing Member of such request. Following such notification and upon request from the Clearing House, the Carrying Clearing Member shall confirm to the Clearing House the specific collateral which should comprise such Associated Collateral Balance(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 the Collateral it deems

appropriate to comprise the Associated Collateral Balance(s) attributable to the Transferring SwapClear Contracts, in its sole discretion. Any Collateral so identified shall be reserved and made available solely in connection with the Permitted Transfer. Once the relevant Associated Collateral Balance(s) of the transfer 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 election will not, of itself, prevent the transfer of the Transferring SwapClear Contracts of the Eligible Transferor and any Associated Collateral Balance which has been accepted by the Receiving Clearing Member, **provided that** the conditions set out in Section 1.15.5 above are satisfied in relation to such transfer. The Clearing House shall transfer the Associated Collateral Balance 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 such Associated Collateral Balance, the Clearing House will not proceed with the transfer of the Transferring SwapClear Contracts. 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 Transferring SwapClear Contracts, the Receiving Clearing Member will have to furnish to the Clearing House sufficient collateral in respect of the Transferring SwapClear Contracts.

In the case where a transfer of Transferring SwapClear Contracts pursuant to this Section 1.15.8 will include the transfer of the Associated Collateral Balance(s) to the Transfer Account of the Eligible Transferee:

- (a) In respect of an Associated Collateral Balance that is subject to a Deed of Charge entered into between the Carrying Clearing Member and the Clearing House, such transfer shall be effected as follows:
  - (i) 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);
  - (ii) such Associated Collateral Balance shall immediately upon such relinquishment be held by the Clearing House on behalf of the Receiving Clearing Member;
  - (iii) where the Receiving Clearing Member is not an FCM Clearing Member, its rights to such Associated Collateral Balance arising as described in sub-paragraph (a)(ii) above shall become, in respect of the Transferring SwapClear Contracts, subject to the relevant Deed of Charge entered into between the Receiving Clearing Member and the Clearing House (such rights thereby becoming Charged Property within the meaning of that Deed of Charge); and
  - (iv) 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.

- (b) In respect of any part of an Associated Collateral Balance that is not subject to a Client Charge or the Deed of Charge entered into between the Carrying Clearing Member and the Clearing House, 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.
- (c) In respect of any part of an Associated Collateral Balance that is subject to the Client Charge entered into between a Custodial Segregated Client, the Clearing House and the Carrying Clearing Member, such transfer shall be effected as set out in and in accordance with: (i) the relevant Collateral Management Agreement entered into between such Custodial Segregated Client, the Clearing House and the Carrying Clearing Member, and (ii) the relevant Collateral Management Agreement entered into between such Custodial Segregated Client, the Clearing House and the Receiving Clearing Member.
- (d) 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.
- (e) LCH shall promptly transfer the Transferring SwapClear Contracts and Associated Collateral Balance, and the transfer of the Transferring SwapClear Contracts shall be conditioned on the transfer of the Associated Collateral Balance, and vice versa.
- (f) If the transfer of the Transferring 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 Transferring 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 Transferring SwapClear Contracts that has occurred shall be immediately unwound.
- (g) That portion (if any) of:
  - (i) the Clearing House Current Collateral Balance in respect of the Carrying Clearing Member which is attributable to the Transferring SwapClear Contracts (the "**Relevant Portion**") shall be reduced to zero; and
  - (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.

#### 1.15.9 *Verification and Reliance*

- (a) Subject to paragraph (b) below, but otherwise notwithstanding anything to the contrary in the Regulations or these Procedures, in making any Transfer Request in accordance with Regulation 60 (*Transfer*) and this Section 1.15 and (where applicable) any relevant Collateral Management Agreement, the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the Receiving Clearing Member and the Carrying Clearing Member, which shall be solely responsible for all such instructions and information.
- (b) The Clearing House shall verify that the Transferring SwapClear Contracts identified to it by a Receiving Clearing Member as being the subject of such Transfer Request correspond to SwapClear Contracts which, according to its records, are registered in the Transfer Account of the Carrying Clearing Member on behalf of the Eligible Transferor. In the event that the Clearing House identifies a discrepancy, it will notify the Receiving Clearing Member and the Carrying Clearing Member and no transfer will occur until such time as the Transferring SwapClear Contracts identified to the Clearing House can be verified to the Clearing House.

#### 1.15.10 *Intra-Clearing Member Transfers*

In connection with any Permitted Transfer of Transferring SwapClear Contracts where the Transfer Account of the Eligible Transferor and the Transfer Account of the Eligible Transferee are held by the same SCM (*i.e.*, where the same SCM serves as both the Carrying Clearing Member and the Receiving Clearing Member), such SCM shall be deemed to make the following agreements, acknowledgements and representations:

- (a) the contractual terms of the Transferring SwapClear Contracts will not change solely as a result of the Clearing House effecting the Permitted Transfer;
- (b) the SCM will remain liable to the Clearing House for all obligations under the Transferring SwapClear Contracts prior to, during and after the Permitted Transfer;
- (c) the Clearing House may require that certain changes be made to the books and records of one or more Approved Trade Source Systems in order to reflect the Permitted Transfer;
- (d) the Clearing House is acting solely upon the SCM's instructions as detailed to the Clearing House in writing and in reliance on the SwapClear Clearing Member's agreements and representations (including as set out in this Section 1.15.10) in connection therewith;

- (e) the Permitted Transfer is permissible under Applicable Law and is not in violation of Applicable Law, and the SCM has obtained any and all necessary and appropriate consents, authorisations and approvals, and has taken any other actions required under Applicable Law in connection with the Permitted Transfer; and
- (f) 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 Eligible Transferor or Eligible Transferee, as a result of any actions taken by the Clearing House in connection with the Permitted Transfer.

#### 1.15.11 Fees

Any Permitted Transfer effected pursuant to Regulation 60 and in accordance with these Procedures and (where applicable) any relevant Collateral Management Agreement will be subject to such fees as are established by the Clearing House from time to time in its sole and absolute discretion, and notified to SwapClear Clearing Members via a member circular.

### 1.16 Compression

A SwapClear Clearing Member may compress or decompress Eligible SwapClear Compression Contracts in accordance with Regulation 56 and this Section 1.16. SwapClear Clearing Members may request the compression or decompression of Eligible SwapClear Compression Contracts as follows:

- (a) a SwapClear Clearing Member can request that all Eligible SwapClear Compression Contracts entered into (i) on behalf of a designated SwapClear Clearing Client (or, where relevant, in respect of an Indirect Gross Sub-Account) or (ii) on such SwapClear Clearing Member's own behalf be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the SwapClear Clearing Member after the applicable scheduled compression run) until the SwapClear Clearing Member notifies the Clearing House to discontinue the compression of its Eligible SwapClear Compression Contracts;
- (b) a SwapClear Clearing Member may notify the Clearing House through the ClearLink API or SwapClear Portal specifying the Eligible SwapClear Compression Contracts it wishes to be compressed;
- (c) a SwapClear Clearing Member may notify the Clearing House through any Approved Trade Source System previously approved for this purpose by the Clearing House, but only where the compression is by way of netting in respect of Eligible SwapClear Compression Contracts in respect of which the position of the SwapClear Clearing Member (on its own behalf or on behalf of the relevant SwapClear Clearing Client or, where relevant, in respect of an Indirect Gross Sub-Account) is (x) in the opposite direction on each leg of such pair (i.e. obligations to make payment netted against rights to receive payment), such that

the SwapClear Contract that replaces such pair of Eligible SwapClear Compression Contracts to be compressed shall have a notional amount equal to the net notional amount of the original pair of SwapClear Contracts or (y) in the same direction on each leg of such pair (i.e. obligations to make payment aggregated and rights to receive payment aggregated), such that the SwapClear Contract that replaces the compressed Eligible SwapClear Compression Contracts shall have a notional amount equal to the total notional amount of the original pair of Eligible SwapClear Compression Contracts. The SwapClear Clearing Member will be notified after the applicable scheduled compression run whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred; or

- (d) a SwapClear Clearing Member may request that certain Eligible SwapClear Compression Contracts be decompressed in the manner and form as determined by the Clearing House from time to time (such requests may be subject to the Clearing House's capacity constraints).

In order to compress an Eligible SwapClear Compression Contracts, a SwapClear Clearing Member must have in its applicable Client Account or Proprietary Account SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House that indicates that such SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above. By making a request to compress or decompress Eligible SwapClear Compression Contracts, the relevant SwapClear Clearing Member shall be deemed to represent and warrant that its request is in compliance with Applicable Law.

In respect of each compression run (which, for the purposes of this Section 1.16, shall include the time at which the Clearing House effects the decompression of Eligible SwapClear Compression Contracts, as applicable), the Clearing House will notify SwapClear Clearing Members of the cut-off time by which SwapClear Clearing Members must notify the Clearing House of the requested Eligible SwapClear Compression Contracts to be compressed in order for such Eligible SwapClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible SwapClear Compression Contracts notified to it prior to such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable SwapClear Clearing Member after the relevant compression run of the result of such compression procedure. A SwapClear Clearing Member may, with the prior approval of the Clearing House and pursuant to Section 1.32, elect to receive such notification via any Approved Trade Source System previously approved by the Clearing House for such purpose.

A SwapClear Clearing Member that elects to provide notices or reports to the Clearing House through any Approved Trade Source System specifying which Eligible SwapClear Compression Contracts should be compressed, have been compressed or any other information in relation to compressions acknowledges and agrees that (i) 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 compression-

related details by that Approved Trade Source System to the Clearing House of the SwapClear Clearing Member, (ii) the Clearing House will process and use any compression-related information provided to it via an Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) 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 the SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing House or the SwapClear Clearing Member. In the event that the Clearing House terminates, registers or otherwise effects an action in connection with a compression relating to any SwapClear Contract on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System, the SwapClear Clearing Member concerned shall be bound by the results of such actions. Such matters form part of the relationship between the SwapClear Clearing Member and the relevant Approved Trade Source System. Notwithstanding anything in this Section 1.16 of the Procedures, the Clearing House records in relation to any compression and the status of any SwapClear Contract prior to, during or following a compression run shall be the definitive record in connection therewith and shall prevail over any such records maintained by any Approved Trade Source System.

Following the compression or decompression process described above and as further set out in Regulation 56, the applicable SwapClear Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or decompression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed or decompressed SwapClear Contracts as notified to the SwapClear Clearing Member by the Clearing House.

For purposes of this Section 1.16, (i) a Clearing Client or FCM Client may, on behalf of a SwapClear Clearing Member, submit a compression request (whether under paragraph (a) or (b) above) or an election to provide notices or reports via an Approved Trade Source System, the ClearLink API or SwapClear Portal and (ii) for the avoidance of doubt, references to an Approved Trade Source System may include the SwapClear Portal, in each case as applicable.

### 1.17 **Duo Compression**

The Clearing House may, in its sole and absolute discretion, from time to time make available Multilateral Compression on the basis of a Member Compression Cycle to two SwapClear Clearing Members (upon approval to participate in Multilateral Compression, each such SwapClear Clearing Member, a Compression Clearing Member).

From time to time, the Clearing House may publish an anonymised report to each Compression Clearing Member participating in Duo Compression identifying compression and risk replacement opportunities based on eligible SwapClear Contracts (the “**Clearing House Compression Proposal**”). Upon receipt of a given Clearing House Compression Proposal, a Compression Clearing Member may submit a request to the Clearing House to perform a Member Compression Cycle with another Compression Clearing Member. If both Compression Clearing Members consent to participate in a given Member Compression Cycle, the Clearing House may identify



each Compression Clearing Member to the other participating Compression Clearing Member.

Upon consenting to participate in a given Member Compression Cycle, each Compression Clearing Member must provide to the Clearing House a set of SwapClear Contracts from the Clearing House Compression Proposal to be included in the given Member Compression Cycle; such SwapClear Contracts may not be included in any other Bulk Event until the termination or completion of the relevant Member Compression Cycle.

Upon receipt from each Compression Clearing Member in the relevant Member Compression Cycle of the SwapClear Contracts to be included in the Member Compression Cycle, the Clearing House may publish to each Compression Clearing Member a set of proposed Terminating SwapClear Contracts (which may be SwapClear CTM Contracts and/or SwapClear STM Contracts) and, if applicable, Post-Multilateral Compression Contracts (the “**Initial Member Compression Proposal**”).

Each Compression Clearing Member in the relevant Member Compression Cycle must review and agree on a set of Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts from the Initial Member Compression Proposal. For the avoidance of doubt, the Compression Clearing Members in the relevant Member Compression Cycle may agree on Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts that were not included in the Initial Member Compression Proposal. In the event a Compression Clearing Member selects Terminating SwapClear Contracts to be included in the relevant Member Compression Cycle, which were not set forth on the Initial Member Compression Proposal, the Compression Clearing Member must submit such other Terminating SwapClear Contracts to the Clearing House for inclusion in the relevant Member Compression Cycle.

In the event both Compression Clearing Members in the relevant Member Compression Cycle agree on a matching set of Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts, including any Terminating SwapClear Contracts that were set forth on the Initial Member Compression Proposal (each Compression Clearing Member’s Post-Multilateral Compression Contracts must be equal and offsetting with the other relevant Compression Clearing Member’s Post-Multilateral Compression Contracts), the Clearing House may present to each Compression Clearing Member a proposed final set of Terminating SwapClear Contracts and, if applicable, Post-Multilateral Compression Contracts for the given Member Compression Cycle (the “**Final Member Compression Proposal**”). Upon approval from each Compression Clearing Member of the Final Member Compression Proposal, such Final Member Compression Proposal shall constitute the Compression Proposal for the given Member Compression Cycle and the Clearing House may effect the Member Compression Cycle as set forth in Regulation 56 in its sole and absolute discretion.

SwapClear Clearing Members should contact [swapclear.clientservices@lch.com](mailto:swapclear.clientservices@lch.com) for further information.

## 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 (including those set forth in Section 1.19), 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.

## 1.19 Trade Reference Amendment Request Form

SwapClear Clearing Members may submit a request to the Clearing House to amend a trade reference (either on behalf of the given SwapClear Clearing Member or a Clearing Client) (a "**Trade Amendment Request**"). Trade Amendment Requests must be submitted in the form and manner prescribed by the Clearing House from time to time, and may be approved by the Clearing House in its sole discretion. Upon approval by the Clearing House, Trade Amendment Requests will typically be processed within two business days. In the event the Clearing House is unable, or determines it will be unable, to process an approved Trade Amendment Request within two business days, it shall attempt to notify the given SwapClear Clearing Member as soon as reasonably practicable.

### 1.19.1 Processing

The Clearing House shall reject a Trade Amendment Request in the event that:

- (a) it is not made in accordance with these Procedures;
- (b) any trade reference submitted in the Trade Amendment Request does not (i) match the SwapClear Clearing Member's trade reference in the Clearing House's books and records or (ii) refer to a trade registered in the SwapClear clearing system;
- (c) any trade reference submitted in the Trade Amendment Request is not recorded by the Clearing House against the BIC code of the SwapClear Clearing Member requesting the amendment; or
- (d) it determines it advisable, in its sole discretion, for risk, legal, technical, cost or similar considerations.

Upon processing a Trade Amendment Request, the Clearing House will notify the given SwapClear Clearing Member and 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. All records of the Clearing House and data held in the SwapClear clearing system will then be updated overnight following the close of the given business day.

## 1.20 Custodial Segregated Accounts

A Custodial Segregated Account allows a Custodial Segregated Client to provide Collateral directly to the Clearing House to meet certain obligations of the relevant SwapClear Clearing Member, in respect of such Custodial Segregated Account, in accordance with the terms of the relevant Collateral Management Agreement and Client Charge.

A SwapClear Clearing Member may request that the Clearing House opens a Custodial Segregated Account in respect of a Clearing Client and must execute, and procure that the Clearing Client executes, such documentation as the Clearing House specifies.

## 1.21 SwapClear STM Contracts and SwapClear CTM Contracts – Elections and Conversions

If a SwapClear Clearing Member wishes to make an election pursuant to Regulation 55(c) or a conversion pursuant to Regulation 57A(n) it must complete and deliver to the Clearing House such documentation as the Clearing House shall make available for such purposes from time to time. A SwapClear Clearing Member wishing to make such an election or conversion should contact [swapclearclientservices@lch.com](mailto:swapclearclientservices@lch.com). SwapClear Clearing Members agree that Clearing Clients (including FCM Clients) may submit an election pursuant to Regulation 55(c) or conversion pursuant to Regulation 57A(n) on their behalf via the SwapClear Portal.

## 1.22 SwapClear Client Clearing

As part of the SwapClear Service, a SwapClear Clearing Member is able to provide certain clearing services to SwapClear Clearing Clients.

### 1.22.1 *Security Deed*

Unless specified otherwise by the Clearing House, a SwapClear 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.

### 1.22.2 *Prescribed Language*

Pursuant to the Clearing House's 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 Schedule 1 of Section 1 of the Procedures.

### 1.22.3 *Other Legal Documentation*

- (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 End-User Notice which is published on the Clearing House's website:

<https://www.lch.com/membership/end-user-notice>

- (b) Certain template versions of client clearing documentation are made available on the Clearing House's website.

### 1.23 Tax Documents – Non-cash Collateral

Please note that where SCMs are not beneficially entitled to securities that they transfer to the Clearing House as non-cash Collateral, the Clearing House may require certain tax documents from the relevant beneficial owner of such securities (see Section 4 (*Margin and Collateral*) of the Procedures).

### 1.24 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 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").

### 1.25 Termination of SwapClear Dealer 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.

#### 1.26 **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.

#### 1.27 **Section 168, 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:

- 1.27.1 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;
- 1.27.2 The non-UK resident holds the qualifying contract (as principal) for the purposes of its UK trade;

1.27.3 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

1.27.4 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.

## 1.28 Default Management

### 1.28.1 *Portfolio Splitting*

As part of the Rates Service 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 Rates Service DMG, seek to create:

- (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
- (b) one or more individual sub-portfolios which are more risk neutral.

### 1.28.2 *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 Applicable Law 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.

#### 1.28.3 *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 Client Services Team (ratesclientservices@lch.com; +44 (0)207 426 7949).

#### 1.28.4 *Backup Clearing Members*

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

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

For the purposes of this Section 1.28.4:

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

#### 1.28.5 *SwapClear Contributions*

SwapClear Contributions will be called via PPS on the fourth business day of each month or otherwise pursuant to a determination of a SwapClear Contribution under the Default Rules.

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

If a Resignation Effective Date has occurred in respect of a Resigning Member and the SwapClear Service pursuant to Rule S(2)(e) of the Rates Service Default Fund Supplement, then the Clearing House will repay the SwapClear Contribution that it holds for such Clearing Member (to the extent it has not been applied under the Default Rules) to the Clearing Member's relevant PPS account on such Resignation Effective Date.

Interest on SwapClear Contributions will be paid to SwapClear Clearing Members' PPS accounts on the fifth business day of each month, in respect of the "**interest accrual period**" occurring immediately prior to such business day. Interest is calculated in respect of each "**interest accrual period**", which commences on (and includes) the fourth business day of each month (each, a "**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.

#### 1.28.6 *Quantifying SwapClear Contributions*

For the purposes of calculating the SwapClear Non-Tolerance Weight of an SCM under Rule S1(f) of the Rates Service Default Fund Supplement – SwapClear, the Uncovered Stress Loss (as defined in Rule S1(f)) of an SCM shall be determined by reference to the SwapClear Contracts entered into (1) on



behalf of the relevant SCM and (2) with respect to the SwapClear Clearing Clients and FCM Clients of such SCM.

#### 1.28.7 *Outsourcing*

Pursuant to Section 1 (*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 Rates Service 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 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 Rates Service DMP (including its obligation to participate in an Auction) and an LCH Approved Outsourcing Agent's participation in the Rates Service 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.

#### 1.28.8 *Rates Service DMG*

The necessary involvement of SCMs and the Rates Service DMG in the Rates Service 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, Schedule 1 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 Rates Service DMG) and on the Clearing House.

Each SCM who makes available a representative to serve on the Rates Service 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 Rates Service DMG complies with Schedule 1 covering confidentiality, non-disclosure and other terms.

#### 1.28.9 *Default Management Accounts*

(a) For the purposes of this Section 1.28.9, the following definitions will apply:

**“Affected Non-Porting Client Account”** means, in respect of an Initial DMA or a Final DMA (as applicable) and the Rates Service Contracts that (at any time) comprise such Initial DMA or Final DMA (as applicable), each Non-Porting Client Account from which any such Rates Service Contract originated.

“**Auction**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Auction Date**” means, in respect of an Auction Portfolio, the business day on which such Auction Portfolio is sold.

“**Auction Result**” means, in respect of an Auction Portfolio, the amount equal to:

- (i) the gains or losses of the Clearing House arising from the sale of such Auction Portfolio, where a gain is a positive amount and a loss is a negative amount;
- (ii) plus the Auction Portfolio NPV Gain for such Auction Portfolio (if any);
- (iii) minus the Auction Portfolio NPV Loss for such Auction Portfolio (if any).

“**Auction Portfolio**” means a Basis Portfolio or an OTC Auction Portfolio, as applicable.

“**Auction Portfolio Calculation Period**” means, in respect of an Auction Portfolio and its Auction Date, the period commencing immediately after the Daily Calculation Period for the business day preceding such Auction Date and ending at the point at which such Auction Portfolio is sold.

“**Auction Portfolio NPV Change**” means, in respect of an Auction Portfolio and its Auction Portfolio Calculation Period, the amount (if any) by which the aggregate net present value of the Rates Service Contracts within such Auction Portfolio has changed during such Auction Portfolio Calculation Period, and

- (i) where such change is in favour of the Defaulter, is the “**Auction Portfolio NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Auction Portfolio NPV Loss**”.

“**Basis Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Daily Amount**” means, in respect of a DMA and a Daily Calculation Period, the Daily Gain or Daily Loss for such DMA and Daily Calculation Period.

“**Daily Calculation Period**” means, in respect of a business day, the period, in respect of which the Clearing House determines the end of day margin and settlement payments for Rates Service Contracts for such business day.

“**Daily Gain**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the Daily NPV Gain exceeds the Daily Hedge Costs (in each case) for such DMA and Daily Calculation Period.

“**Daily Hedge Costs**” means, in respect of a DMA and a Daily Calculation Period, all costs incurred by the Clearing House in connection with hedging the exposure of one or more Rates Service Contracts within such DMA in accordance with the Risk Neutralisation process under Rule 2.2 of the Rates Service DMP Annex.

“**Daily Loss**” means, in respect of a DMA and a Daily Calculation Period, either: (i) where the DMA experiences a Daily NPV Loss in respect of such Daily Calculation Period, the aggregate of such Daily NPV Loss and the Daily Hedge Costs for such DMA and Daily Calculation Period; or (ii) where the DMA experiences a Daily NPV Gain in respect of such Daily Calculation Period, the amount by which the Daily Hedge Costs for such DMA and Daily Calculation Period exceed such Daily NPV Gain.

“**Daily NPV Change**” means, in respect of a DMA and a Daily Calculation Period, the amount (if any) by which the aggregate net present value of the Remaining Contracts within such DMA has changed during such Daily Calculation Period, and:

- (i) where such change is in favour of the Defaulter, is the “**Daily NPV Gain**”; and
- (ii) where such change is in favour of the Clearing House, is the “**Daily NPV Loss**”.

“**DMA**” means an Initial DMA or a Merged DMA, as applicable.

“**DMA Creation Date**” means, in respect of an Initial DMA, the business day on which such Initial DMA is established by the Clearing House.

“**DMA Merger Date**” means, in respect of a Merged DMA, the business day on which two or more DMAs are combined to form such Merged DMA.

“**Final DMA**” means, in respect of an Auction Portfolio that is auctioned and sold, the most recently established DMA from which such Auction Portfolio was formed.

“**Initial DMA**” means a default management account established by the Clearing House, acting in its sole discretion, to which one or more Sets of Non-Porting Contracts are transferred (by book-entry) on the DMA Creation Date for such default management account.

“**Latest DMA**” means, in respect of a Daily Calculation Period, a DMA that exists at the end of such Daily Calculation Period, but which has not

itself been combined with another DMA to form a separate Merged DMA.

“**Merged DMA**” means a default management account established by the Clearing House, acting in its sole discretion, which results from the combination of two or more DMAs.

“**Non-Porting Client Account**” means, in respect of a Defaulter, the Individual Segregated Account, Custodial Segregated Account, Omnibus Gross Segregated Sub-Account, Indirect Net Account, Indirect Gross Sub-Account, Non-Identified Client Omnibus Net Segregated Account, Affiliated Client Omnibus Net Segregated Account, Identified Client Omnibus Net Segregated Account or FCM Client Sub-Account (as applicable) of such Defaulter, to which the Rates Service Contracts that the Clearing House has determined will not be ported in accordance with the Client Clearing Annex or the FCM Rulebook are, or were, registered at the point of the Default of the Defaulter.

“**OTC Auction Portfolio**” has the meaning assigned to it in the Rates Service DMP Annex.

“**Pre-Default TMR**” means, in respect of an Affected Non-Porting Client Account of a Defaulter, the TMR for such Affected Non-Porting Client Account as at the end of day margin and settlement call for the business day before the day of Default of such Defaulter.

“**Pre-Default TMR Ratio**” means

- (i) in respect of an Initial DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Initial DMA; or
- (ii) in respect of a Final DMA and an Affected Non-Porting Client Account referable to it, the ratio that the Pre-Default TMR of such Affected Non-Porting Client Account bears to the aggregate Pre-Default TMR of all Affected Non-Porting Client Accounts referable to such Final DMA.

“**Pre-Merger TMR**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the TMR for such DMA as at the end of day margin and settlement call for the business day before the DMA Merger Date of such Merged DMA.

“**Pre-Merger TMR Ratio**” means, in respect of a DMA that was combined with one or more other DMA(s) to form a Merged DMA, the ratio that such DMA’s Pre-Merger TMR bears to the aggregate Pre-Merger TMR of all DMAs that were combined to form such Merged DMA.

“**Prior Merged DMA**” means, in respect of a Merged DMA, an existing Merged DMA that has been combined with one or more other DMA(s) to form such Merged DMA.

“**Remaining Contracts**” means, in respect of a DMA and a Daily Calculation Period, all of the Rates Service Contracts within such DMA during such Daily Calculation Period, excluding those Rates Service Contracts that the Clearing House has auctioned and sold at any point within such Daily Calculation Period.

“**Set of Non-Porting Contracts**” means, in respect of a Non-Porting Client Account, the Rates Service Contracts that are transferred by the Clearing House from such Non-Porting Client Account to an Initial DMA.

“**TMR**” means (i) in respect of an Affected Non-Porting Client Account, the total margin requirement as determined by the Clearing House for such Affected Non-Porting Client Account, or (ii) in respect of a DMA, the total margin requirement as determined by the Clearing House for such DMA, in each case excluding: (x) variation margin; (y) Stress Loss Margin as defined in Section 1.9.7 above; and (z) counterparty risk multiplier margin as described in Section 1.9.2 above.

(b) *Initial DMAs*

- (i) After a Default, the Clearing House may, in its sole discretion:
  - (A) determine that the Rates Service Contracts registered to a Non-Porting Client Account will not port in accordance with the Client Clearing Annex or the FCM Rulebook (as applicable); and
  - (B) transfer the resulting Set of Non-Porting Contracts in respect of such Non-Porting Client Account to an Initial DMA on the business day on which the Clearing House makes such determination.
- (ii) The Clearing House may in its sole discretion create more than one Initial DMA for the purposes of subparagraph (i)(B) above on the same business day.
- (iii) No Contracts other than Rates Service Contracts will be transferred into an Initial DMA.
- (iv) Any outstanding and owing, but unsettled, variation margin or settlement amounts in respect of Rates Service Contracts as at the end of the Daily Calculation Period for the business day prior to the transfer of such Rates Service Contracts in accordance with subparagraph (i) above shall be discharged by the Clearing House debiting or crediting (as applicable) the Non-Porting

Client Account from which such Rates Service Contracts were transferred.

(c) *Merged DMAs*

- (i) On any business day following the creation of two or more Initial DMAs pursuant to paragraph (b) above, the Clearing House may create a Merged DMA by combining:
  - (A) multiple Initial DMAs;
  - (B) one or more Initial DMAs and one or more Prior Merged DMAs; or
  - (C) multiple Prior Merged DMAs.
- (ii) The Clearing House may in its sole discretion create more than one Merged DMA on the same business day.

(d) *Auctions*

- (i) The Clearing House shall conduct Auctions in respect of Auction Portfolios referable to DMAs in accordance with the provisions of the Rates Service DMP Annex.
- (ii) More than one Auction Portfolio may be referable to a single DMA, in which case:
  - (A) the Clearing House will conduct one or more Auctions of each Auction Portfolio referable to such DMA; and
  - (B) on and from the date of the first Auction in respect of the DMA, the Clearing House may no longer combine such DMA into a Merged DMA.
- (iii) Following the sale of an Auction Portfolio, the Rates Service Contracts within such Auction Portfolio shall no longer form part of the DMA from which the Auction Portfolio was created.

(e) *Attribution of Daily Amounts*

- (i) The Clearing House shall, following each Daily Calculation Period, determine the Daily Amount for each Latest DMA in respect of such Daily Calculation Period.
- (ii) The Clearing House shall attribute the Daily Amount of a Latest DMA that is:
  - (A) an Initial DMA, to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and

- (B) a Merged DMA, to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA (where the amount attributed to each such DMA is an “**Interim Amount**”).
- (iii) If the Clearing House attributes an Interim Amount to a DMA under subparagraph (ii)(B) above, then it will further attribute such Interim Amount as follows:
  - (A) Where the DMA to which the Interim Amount was attributed is an Initial DMA, the Clearing House will further attribute such amount to each Affected Non-Porting Client Account referable to such Initial DMA, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account; and
  - (B) Where the DMA to which the Interim Amount was attributed is a Merged DMA, the Clearing House will further attribute such amount to each DMA that was combined to form such Merged DMA, pro rata according to the Pre-Merger TMR Ratio of each such DMA.
- (iv) If the Clearing House attributes an amount to a DMA under subparagraph (iii)(B) above, then it will further attribute such amount according to the method specified in subparagraph (iii) (treating such amount as an Interim Amount for the purposes of subparagraph (iii)) until all amounts are attributed to Non-Porting Client Accounts.

(f) *Attribution of Auction Results*

The Clearing House shall attribute the Auction Result, in respect of the sale of an Auction Portfolio, to each Affected Non-Porting Client Account referable to the Final DMA from which such Auction Portfolio was formed, pro rata according to the Pre-Default TMR Ratio of each such Affected Non-Porting Client Account.

(g) *Collateral*

The Clearing House shall hold the relevant Collateral in respect of each Non-Porting Client Account in its applicable Client Account until the process described in this Section 1.28.9 has been completed.

1.28.10 *Rates Service Default Management Disclosure Notice*

Each SCM must ensure that each Clearing Client is provided with, or is directed to a copy of, the Rates Service Default Management Disclosure Notice and further must provide confirmation to the Clearing House, in the form and manner reasonably required by the Clearing House, that it has discharged this obligation in respect of each of its Clearing Clients.



#### 1.28.11 *Contact Information*

Each SCM is required to provide the Clearing House with contact details for those persons that the Clearing House should contact in the event of an SCM Default. SCMs are required to ensure that contact details remain up to date and to notify the Clearing House of any changes in such details.

### 1.29 **Provision of Tax Forms; Withholding Taxes; Sales Tax**

#### 1.29.1 *Tax Forms*

The Clearing House and each SwapClear Clearing Member shall provide to the other party (i) any form or document specified in the given SwapClear Contract and (ii) any form, document, statement or certification (including, in the case of the Clearing House, an Internal Revenue Service Form W-8BEN) reasonably requested in writing, in each case to permit the Clearing House or SwapClear Clearing Member, as applicable, to make any payment under the Clearing House's rules or any SwapClear Contract without withholding for any tax, levy or charge. The foregoing requirement shall not apply in the event the Clearing House or SwapClear Clearing Member is not permitted to deliver such form, document, statement or certification under Applicable Law (including any double-tax treaty).

#### 1.29.2 *Withholding Taxes*

In the event a SwapClear Clearing Member is required under Applicable Law to withhold an amount in respect of any tax, levy or charge from any payment made to the Clearing House, (i) such payment shall be increased such that the Clearing House receives an amount equal to that it would have received had such withholding not been required under Applicable Law and (ii) the SwapClear Clearing Member shall provide the Clearing House the relevant tax certificates (or similar form) confirming the payment of such withholding amount.

The Clearing House shall provide reasonable cooperation to the given SwapClear Clearing Member to ensure that payments made to the Clearing House may be made without deduction or withholding in respect of any tax, levy or charge.

#### 1.29.3 *Sales Tax; Value Added Tax*

All fees and other payments payable under the Clearing House's rules are exclusive of sales tax, purchase or turnover tax, levies, duties and their equivalent in each jurisdiction, which, if applicable, shall be payable by SwapClear Clearing Members at the applicable rate in force at the given time.

### 1.30 **Approved Compression Services Providers**

Applicants for Approved Compression Services Provider status should contact [ratesclientservices@lch.com](mailto:ratesclientservices@lch.com). Approved Compression Services Providers will be required to meet the requirements of the Clearing House from time to time, including the provision of relevant information, execution of documents, and proof of operational

capabilities. A list of Approved Compression Services Providers currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional Approved Compression Services Providers, it will notify Clearing Members via member circular.

Notwithstanding the designation by the Clearing House of any applicant as an Approved Compression Services Provider, 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 Compression Services Provider. Such matters form part of the relationship between the Clearing Members and that Approved Compression Services Provider.

## 1.31 Provision of Market Data

### 1.31.1 Provision of Market Data

The provisions of this Section 1.31 apply separately in respect of each Index.

Inflation Clearing Groups who exceed the Reporting Threshold Amount applicable to an Index are required to submit Market Data to the Clearing House in accordance with Regulation 60A and the provisions of this Section 1.31.

The Reporting Threshold Amount for each Index is as follows:

	EUR	FRF	GBP	USD
Threshold	1000	250	1000	500

**provided** that the Clearing House may from time to time (upon prior reasonable notice) prescribe a lower Reporting Threshold Amount for a given Index in its sole discretion in accordance with Regulation 60A.

At intervals during each Inflation Swap Business Day in respect of an Index, the Clearing House will take snaps of Market Data that it receives from Inflation Clearing Groups in respect of that Index. An Inflation Clearing Group may update its Market Data outside of an Inflation Swap Business Day for a particular Index. The timings for the close of business data snaps shall be published in the Inflation Swaps Operational Specifications.

If either the Clearing House or an Inflation Clearing Group believes that, for whatever reason, the data provided by the Inflation Clearing Group on a particular date is not representative of market prices, including due to technical issues, software failure or other data corruption (any such data, "**Corrupted Data**"), that party shall notify the other party as soon as reasonably practicable. Following a notification pursuant to this paragraph, the relevant Inflation Clearing Group shall promptly take such action as the Clearing House may reasonably require (after consulting with the Group Member of that Inflation Clearing Group who provided the relevant Market Data) to remedy the relevant data corruption issue(s). In no circumstances will Corrupted Data constitute Market Data for the purposes of Regulation 60A(f)(i). In the event that the provision of Corrupted Data is caused by the Inflation Clearing Group and the

Inflation Clearing Group fails to resubmit corrected Market Data before the Clearing House calculates the SwapClear End of Day Price, the Clearing House will treat the provision of Corrupted Data as a failure to submit Market Data in respect of the relevant day for the purposes of Section 1.31.2 below and, based on the circumstances surrounding the provision of Corrupted Data and in its sole discretion, may deliver to the relevant Nominated Group Member of the Inflation Clearing Group a Market Deviation Notice. Notwithstanding the foregoing and with respect to an Index, the Clearing House will always issue a Market Deviation Notice to an Inflation Clearing Group pursuant to this paragraph on the third consecutive Inflation Swap Business Day where the Inflation Clearing Group delivers Corrupted Data.

With respect to an Index, if an Inflation Clearing Group is unable to provide Market Data on a particular date, including due to technical issues, software failure or other data corruption (such failure, a “**Data Disruption Event**”), then a Group Member of that Inflation Clearing Group shall notify the Clearing House as soon as reasonably practicable. Following a notification pursuant to this paragraph, the relevant Inflation Clearing Group shall promptly take such action as the Clearing House may reasonably require (after consulting with the Group Member of that Inflation Clearing Group who failed to provide the relevant Market Data) to remedy the relevant technical or data corruption issue(s). Based on the circumstances surrounding the Data Disruption Event and in its sole discretion, the Clearing House may deliver to the relevant Nominated Group Member of the Inflation Group a Non-performance Notice. Notwithstanding the foregoing and with respect to an Index, the Clearing House will always issue a Non-performance Notice to an Inflation Clearing Group pursuant to this paragraph on the third consecutive Inflation Swap Business Day where the Inflation Clearing Group suffers a Data Disruption Event.

If the Clearing House receives data from an Inflation Clearing Group that it considers does not constitute a reasonable estimate of the current market price for the relevant tenor and Index (whether such data is treated as Market Data or Corrupted Data), it shall be entitled to ignore the submission of that data in making its calculation of the Derived Data.

The Clearing House may use the Market Data that it receives as provided for in Regulation 60A(h).

- 1.31.2 If at any time at which it is due to calculate the Derived Data, the Clearing House considers that it has failed to receive good data (as defined below) in respect of an particular Index from such number of Inflation Clearing Groups as the Clearing House may consider sufficient to allow it to produce Derived Data that is fair and representative of the pricing level of the relevant Index, the Clearing House may as an alternative (a) use a set of previously produced Derived Data that the Clearing House considers to be the most suitable substitute, and/or (b) obtain substitute market data from one or more alternative sources, including but not limited to, brokers and third party data vendors (any data derived from a source described in (a) or (b) of this paragraph being “**Alternative Data**”), provided, however, that Clearing House must use Alternative Data if it considers that it has failed to receive good data in respect of an Index from at least 4 Inflation Clearing Groups. The Clearing House will not impose any

obligation for an Inflation Clearing Group to enter into a Crossing Transaction where less than 4 Inflation Clearing Groups have provided good data. For the purpose of this paragraph, "good data" means Market Data received from an Inflation Clearing Group which in the Clearing House's view, constitutes a reasonable estimate of the current market price for the relevant tenor and Index.

- 1.31.3 For each day on which the Clearing House produces Derived Data, it will provide to at least one Group Member of each Inflation Clearing Group that submitted Market Data, a report showing the Market Data that the relevant Inflation Clearing Group provided, together with any curves produced from the relevant Derived Data. The Clearing House will provide such reports on the Inflation Swap Business Day following the date when the relevant Derived Data was prepared. In addition, the Clearing House shall make available Derived Data to at least one Group Member of each Inflation Clearing Group that submitted Market Data on a same-day basis, including by way of end-of-day reporting. A Group Member that receives Derived Data is entitled to share the Derived Data within its Inflation Clearing Group, provided that the recipients of the Derived Data within the Inflation Clearing Group use the Derived Data in accordance with the terms of the Rulebook.

1.31.4 *Inflation Swap Crossing*

In order to ensure the quality of the Market Data it receives, Regulations 60A(1) and 60A(m) enables the Clearing House to impose a mandatory Crossing Transaction upon Inflation Clearing Groups in certain circumstances. In respect of an Index, an Inflation Clearing Group shall not be required to enter into more than one Crossing Transaction in any calendar month.

The Market Data required to be submitted by the relevant Inflation Clearing Groups comprises a mid-price quote for each relevant Index and tenor combination. A list of eligible Indices and tenors is published in the Inflation Swaps Operational Specifications. At the close of each Inflation Swap Business Day in respect of an Index, the Clearing House will use all relevant Market Data (and/or Alternative Data as the case may be) to produce the SwapClear End of Day Price in respect of an Index.

In respect of an Index, where the Group Members of an Inflation Clearing Group receive in aggregate 4 or more Market Deviation Notices in a calendar month the Clearing House will require its Designated Group Member (the "**Off-Market Provider**"), by delivering of a notice to that Designated Group Member (the "**Crossing Transaction Notice**"), to enter into a Crossing Transaction at the price of the Key Tenor Market Data in the relevant Index in respect of which the fourth Market Deviation Notice was delivered, and on the terms set out below.

In respect of an Index, where the Group Members of an Inflation Clearing Group receive in aggregate 2 or more Non-performance Notices in a calendar month the Clearing House will require its Designated Group Member (the "**Non-Performer**"), to enter into a Crossing Transaction in the relevant Index in respect of which the second Non-performance Notice was delivered on the terms set out below.

An Inflation Clearing Group will be notified of the obligation to enter into a Crossing Transaction (through its Designated Group Member) in advance of the following Inflation Swap Business Day.

The Clearing House shall deliver to the Nominated Group Member, on behalf of an Inflation Clearing Group any Market Deviation Notice or Non-performance Notice in advance of the following Inflation Swap Business Day.

In respect of an Index, the Clearing House may determine that it is not appropriate to issue a Market Deviation Notice or a Non-performance Notice to an Inflation Clearing Group where the office from which the Inflation Clearing Group typically provides Market Data is closed on the relevant Inflation Swap Business Day.

The counterparty to the Crossing Transaction will be the Designated Group Member of an Inflation Clearing Group in respect of whose Market Data Provider submitted the Key Tenor Market Data in the relevant Index on the relevant Inflation Swap Business Day which most closely reflected the SwapClear End of Day Price.

Where more than one Inflation Clearing Group is obliged to enter into a Crossing Transaction on a particular day the parties to the Crossing Transaction shall be determined in accordance with the following:

- (i) the affected Inflation Clearing Groups will be ranked in order of the degree of deviation of their Market Data Provider's relevant Key Tenor Market Data from the SwapClear End of Day Price (with a failure to actually submit any Market Data being ascribed a value for these purposes, in accordance with the Inflation Swaps Operational Specifications);
- (ii) all Inflation Clearing Groups who have not received a Market Deviation Notice in respect of that Index on that Inflation Swaps Business Day and who will be able to act as counterparty to the relevant Crossing Transaction shall be ranked in terms of degree to which their Market Data Provider's relevant Key Tenor Market Data submitted most closely reflects the SwapClear End of Day Price; and
- (iii) the Designated Group Member of the affected Inflation Clearing Group will be paired with the equivalently ranked Inflation Clearing Group who is to act as counterparty, such that the Designated Group Member of the Inflation Clearing Group that submitted the Key Tenor Market Data with the largest deviation above or below the (as the case may be) SwapClear End of Day Price will face the Designated Group Member from the Inflation Clearing Group whose Market Data Provider submitted the Market Data with an average price that most closely reflected the SwapClear End of Day Price.

In the event that two Inflation Clearing Groups have submitted Key Tenor Market Data with identical values, the Clearing House will base the ranking as between those two Inflation Clearing Group on the accuracy of data submitted on the previous Inflation Swap Business Day, with the Inflation Clearing Group that produced the data that most closely reflected the SwapClear End of Day Price, on the basis of its end of day snap receiving the more favourable ranking for the purposes of this section.

In the event that there are more Inflation Clearing Groups required to enter into Crossing Transactions than there are available Inflation Clearing Groups which have not been served a Market Deviation Notice or a Non-performance Notice, an Inflation Clearing Group may be required to enter into multiple Crossing Transactions (again ranked as described in (ii) and (iii) of this paragraph above, if necessary) until each Inflation Clearing Group subject to a Crossing Transaction Notice has a counterparty to its Crossing Transaction.

The relevant Crossing Transaction(s) (referencing the relevant Index and tenor) must then be entered into by the relevant Designated Clearing Members, on the terms as to price and notional set out in the Inflation Swaps Operational Specifications, before the close of business on the next following Inflation Swap Business Day following the receipt of the Crossing Transaction notice. Any Designated Clearing Member entering into a Crossing Transaction that is not cleared through the Clearing House must provide the Clearing House with documentary evidence that it has entered into the required Crossing Transaction.

The fixed coupon in respect of a Crossing Transaction will be determined as the mid-point between the Key Tenor Market Data submitted by the Inflation Clearing Group that is required to enter into the Crossing Transaction and the SwapClear End of Day Price in respect of the relevant tenor and Index on the relevant Inflation Swap Business Day, with a cap of 15bps from the SwapClear End of Day Price being the maximum distance between the price of the Crossing Transaction and the SwapClear End of Day Price. The notional amount of the Crossing Transaction will be denominated in the same currency as the relevant Index and, for Indices denominated in USD, GBP or EUR, will be a number of currency units equal to the number given for the relevant tenor published in the Inflation Swaps Operational Specifications. Where the Inflation Clearing Group that is required to enter into a Crossing Transaction submitted Key Tenor Market Data that is lower than the SwapClear End of Day Price, its Designated Clearing Member will be required to receive a fixed price under the Crossing Transaction whilst an Inflation Clearing Group that submits Key Tenor Market Data that is higher than the SwapClear End of Day Price will be required to pay a fixed price as determined by the formula published in the Inflation Swaps Operational Specifications.

In the case of a Designated Clearing Member engaging in a Crossing Transaction as a result of its Inflation Clearing Group receiving 2 Non-performance Notices or a Market Deviation Notice as a result of providing Corrupted Data, the price in respect of its Crossing Transaction will be the mid-point between the value ascribed to the Designated Clearing Member for the purposes of a Non-performance Notice Crossing Transaction (in accordance

with the Inflation Swaps Operational Specifications) and the SwapClear End of Day Price.

### 1.32 Notifications via Approved Trade Source Systems

- 1.32.1 With prior approval of the Clearing House, SwapClear Clearing Members and SwapClear Clearing Clients may elect to submit and receive certain post-trade messages via any Approved Trade Source System previously approved by the Clearing House for the results of compression procedures, Permitted Transfers and non-economic amendments of SwapClear Contracts.
- 1.32.2 A SwapClear Clearing Member, either on its own account or with respect to a SwapClear Clearing Client (where applicable), acknowledges and agrees, with respect to an election to receive messages and/or notifications under this Section 1.31 from the Clearing House via an Approved Trade Source System, that (i) 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 notices, reports or details by that Approved Trade Source System to the Clearing House of the SwapClear Clearing Member or SwapClear Clearing Client, as applicable, (ii) the Clearing House will process and use any information provided to it under this Section 1.31 via an Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for (A) any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House, the SwapClear Clearing Member or any SwapClear Clearing Client or (B) any delay in or failure of the transmission of such data to the Clearing House, the SwapClear Clearing Member or any SwapClear Clearing Client.
- 1.32.3 Any request for the Clearing House to approve the submission and receipt of post-trade messages via any Approved Trade Source System must be made in writing and using the Clearing House’s standard documentation. Through making a request, a SwapClear Clearing Member, either on their own account or with respect to a SwapClear Clearing Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

### 1.33 Basis swap splitting

From time to time a SwapClear Clearing Member or a SwapClear Clearing Client may request via the ClearLink API or SwapClear Portal that the Clearing House re-registers one or more of its eligible SwapClear Contracts that are recorded in the books and records of the Clearing House as “basis swaps” (each, an “**Original Basis Swap**”) so that immediately following such re-registration by the Clearing House, the Original Basis Swap is replaced by the following two SwapClear Contracts which, together, shall be economically identical to the Original Basis Swap:

- (a) the first SwapClear Contract shall have a “Floating Rate” (as defined in the ISDA Definitions) equal to the first “Floating Rate” referenced in the Original Basis Swap, a “Fixed Rate” (as defined in the ISDA Definitions) determined by the Clearing House, and the “Floating Rate Payer” or “Floating Amount Payer”

(as defined in the ISDA Definitions) shall be the same as the "Floating Rate Payer" or "Floating Amount Payer" in relation to the first "Floating Rate" under the Original Basis Swap; and

- (b) the second SwapClear Contract shall have a "Floating Rate" (as defined in the ISDA Definitions) equal to the second "Floating Rate" referenced in the Original Basis Swap, a "Fixed Rate" (as defined in the ISDA Definitions) equal to the "Fixed Rate" under (a) above, and the "Floating Rate Payer" or "Floating Amount Payer" (as defined in the ISDA Definitions) shall be the same as the "Floating Rate Payer" or "Floating Amount Payer" in relation to the second "Floating Rate" under the Original Basis Swap.

If the Clearing House accepts the SwapClear Clearing Member or SwapClear Clearing Client's request, it shall effect the re-registration referred to above no later than the business day following the date on which the request is received, subject to and in accordance with such other conditions or provisions as the Clearing House may from time to time provide or require generally or in relation to any specific request.

### 1.34 **Actions in Respect of an FCM Client Default**

Following an FCM Client Default (as defined in the FCM Regulations) and in connection with a request from an FCM Clearing Member to the Clearing House to transfer one or more FCM SwapClear Contracts (including those submitted for registration pursuant to Section 2.1.13(c) of the FCM Procedures) from (i) a Defaulting FCM Client's FCM Client Sub-Account or (ii) an FCM Clearing Member's Proprietary Account to the Proprietary Account of a SwapClear Clearing Member, such SwapClear Clearing Member shall transfer (or make available) required margin into its Proprietary Account.

## 2. **PORTFOLIO MARGINING SERVICE**

### 2.1 **Introduction**

The Portfolio Margining Service is an optional service which provides Joint Rates Service Clearing Members portfolio-margining functionality in respect of pairs of accounts which are held in the SwapClear and Listed Interest Rates Services by transferring Eligible Listed Interest Rates Contracts between accounts in each Service.

A Joint Rates Service Clearing Member must opt-in to the Portfolio Margining Service in accordance with the procedure set out in paragraph 2.2 below and meet the PM Eligibility Criteria (as defined below) in order to benefit from the portfolio-margining functionality provided by the service. However it should be noted that, regardless of whether or not a Joint Rates Service Clearing Member opts in, the SwapClear Service and Listed Interest Rates Service share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other Clearing Members participating in the other such Service whether or not as a Portfolio Margining Clearing Member. In particular, the resources of a Clearing Member that is a member of the SwapClear Service and the Listed Interest Rates Service will be made available to cover the Clearing House's losses in a different manner to those of a Clearing Member that is only a member of one of those Services, regardless of whether that Clearing Member opts-in to the Portfolio Margining Service. SwapClear Clearing



Members should therefore familiarise themselves with the provisions of the Rulebook (including, but not limited to, the Default Rules).

## 2.2 Opt-In Procedure

### 2.2.1 *Portfolio Margining Clearing Member Status*

A Joint Rates Service Clearing Member wishing to opt-in to the Portfolio Margining Service in respect of a pair of its accounts - one in the SwapClear Service (the "**SwapClear Nominated Account**") and the other account in a Listed Interest Rates Service (the "**Listed Interest Rates Nominated Account**" and together the "**Nominated Accounts**") - must submit a written request to the Clearing House, using the appropriate form which can be obtained from the Clearing House's Membership team (a "**Portfolio Margining Request**"). For the avoidance of doubt, the Joint Rates Service Clearing Member must submit a further Portfolio Margining Request when it wishes the Portfolio Margining Service to apply in respect of additional Nominated Accounts.

### 2.2.2 *Assessment of the Portfolio Margining Request*

Upon receipt of a Portfolio Margining Request, the Clearing House will assess whether (i) the eligibility criteria set out at paragraph 2.3 below (the "**PM Eligibility Criteria**") are met and (ii) the Nominated Accounts meet the eligibility criteria set out in paragraph 2.4 below (hereinafter Nominated Accounts which meet such eligibility criteria will be referred to as either a "**SwapClear Eligible Account**" or a "**Listed Interest Rates Eligible Account**", as applicable, and, together, the "**Eligible Accounts**").

The Joint Rates Service Clearing Member will provide such information to the Clearing House as the Clearing House may, in its absolute discretion, request, including such information as is required to enable the Clearing House to make the necessary assessments in respect of a Portfolio Margining Request.

### 2.2.3 *Activation of the Portfolio Margining Service in respect of the Nominated Accounts*

Following a determination by the Clearing House that the (i) relevant PM Eligibility Criteria are met and (ii) the Nominated Accounts constitute Eligible Accounts, the Clearing House shall:

- (i) notify the Joint Rates Service Clearing Member that it is a Portfolio Margining Clearing Member; and
- (ii) activate the Portfolio Margining Arrangements in respect of the Nominated Accounts.

The Clearing House will endeavour to activate the Portfolio Margining Arrangements within 5 business days following the determination by the Clearing House that (i) the relevant PM Eligibility Criteria are met and (ii) the Nominated Accounts constitute Eligible Accounts, but owes no duty or obligation to the Portfolio Margining Clearing Member to do so.

Furthermore, notwithstanding the foregoing, the Clearing House may, in its sole discretion, refuse to provide the Portfolio Margining Service (i) to a Joint Rates Service Clearing Member (whether opted-in or not) or (ii) in respect of the Nominated Accounts, where it considers it appropriate to do so.

#### 2.2.4 *Opt-Out Procedure*

In the event that a Portfolio Margining Clearing Member wishes to terminate the Portfolio Margining Service in respect of certain Nominated Accounts, it may do so by giving written notice to the Clearing House. The Portfolio Margining Clearing Member shall identify clearly the Nominated Accounts to which the termination is intended to apply.

The termination shall become effective on the date on which the Clearing House confirms to the relevant Portfolio Margining Clearing Member that the Portfolio Margining Service has been terminated in respect of the relevant Nominated Accounts. In this regard, the Clearing House will endeavour to terminate the Portfolio Margining Arrangements within 5 business days following receipt of written notice from the Portfolio Margining Clearing Member, but owes no duty or obligation to the relevant SwapClear Clearing Member to do so.

In order to prevent abuse of the Portfolio Margining Service, following the termination of the Portfolio Margining Service in respect of certain Nominated Accounts, a Portfolio Margining Clearing Member will not be entitled to submit a Portfolio Margining Request in respect of the same Nominated Accounts for a period of 30 calendar days following termination of the Portfolio Margining Service in respect of such Nominated Accounts.

### 2.3 **PM Eligibility Criteria**

#### 2.3.1 *Joint Rates Service Clearing Member*

The SwapClear Clearing Member must also be a Listed Interest Rates Clearing Member (*i.e.*, a Joint Rates Service Clearing Member).

#### 2.3.2 *Client Consent*

Where the Nominated Accounts are Client Accounts, the Joint Rates Service Clearing Member must confirm to the Clearing House (in the form of a written representation) that the relevant Clearing Clients(s) have provided their consent to the operation of the Portfolio Margining Arrangements in respect of the relevant Client Accounts.

#### 2.3.3 *Recent Termination*

Portfolio Margining Arrangements in respect of the Nominated Accounts have not, in the last 30 calendar days, been terminated in accordance with paragraph 2.2.5 above.

### 2.4 **Eligible Accounts**

#### 2.4.1 *Proprietary and Client Accounts*

In order to be eligible for the Portfolio Margining Service, each of the Nominated Accounts must be either:

- (i) Proprietary Accounts which each reference the same legal entity; or
- (ii) Client Accounts which reference the same legal entity as the underlying Clearing Client(s) and meet the criteria set out in paragraph 2.4.2 below.

It is not possible to apply the Portfolio Margining Arrangements across a Proprietary Account and a Client Account.

#### 2.4.2 *Additional Eligibility Criteria in respect of Client Accounts*

The Nominated Accounts must fall into one of the following pairings:

- (i) Individual Segregated Accounts held on behalf of the same Individual Segregated Account Clearing Client;
- (ii) the relevant sub-accounts of Omnibus Gross Segregated Accounts each of which is held on behalf of the same Omnibus Gross Segregated Clearing Client;
- (iii) an Individual Segregated Account held on behalf of an Individual Segregated Account Clearing Client and the relevant sub-account of an Omnibus Gross Segregated Account held on behalf of that Clearing Client;
- (iv) a Custodial Segregated Account held on behalf of a Custodial Segregated Client and an Individual Segregated Account held on behalf of that Clearing Client; or
- (v) a Custodial Segregated Account held on behalf of a Custodial Segregated Client and the relevant sub-account of an Omnibus Gross Segregated Account held on behalf of that Clearing Client.

## 2.5 **Portfolio Margining Arrangements**

### 2.5.1 *Portfolio Margining Calculation Tool*

The Clearing House has developed a risk management tool which identifies portfolio-margining opportunities as between SwapClear Contracts held in accounts in a SwapClear Eligible Account and Eligible Listed Interest Rates Contracts held in the paired Listed Interest Rates Eligible Account (the "**Portfolio Margining Calculation Tool**"). Portfolio Margining Clearing Members will receive certain information in relation to the operation of the Portfolio Margining Service, as described in more detail in paragraph 2.6 below.

A list of Eligible Listed Interest Rates Contracts is set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time.

### 2.5.2 **Portfolio Margining Process**

2.5.2.1 At a predetermined time following the close of the relevant Listed Interest Rates Service on each business day, the Clearing House will run the Portfolio Margining Calculation Tool. The Portfolio Margining Calculation Tool will identify, in respect of each pair of Eligible Accounts, any off-setting positions between SwapClear Contracts and Eligible Listed Interest Rates Contracts including any eligible Listed Interest Rate Contracts that are Portfolio Margined Contracts (the "**Identified Off-Setting Listed Interest Rates Contracts**").

2.5.2.2 The Portfolio Margining Calculation Tool is a risk management tool which is not designed to provide Portfolio Margining Clearing Members with optimal margining treatment or reduce margin calls. Accordingly, the Clearing House makes no representations or assurances as to the impact of the Portfolio Margining Calculation Tool on the Portfolio Margining Clearing Member's margin calls. The Clearing House accepts no liability in respect of the operation of the Portfolio Margining Service of the Portfolio Margining Calculation Tool. The provision and operation of the Portfolio Margining Calculation Tool is subject to Regulation 52.

### 2.5.3 *Transfer of Identified Off-Setting Listed Interest Rates Contracts*

Once identified in accordance with paragraph 2.5.2.1 above:

- (i) any Identified Off-Setting Listed Interest Rates Contracts which are not Portfolio Margined Contracts will be transferred from the relevant Listed Interest Rates Eligible Account to the paired SwapClear Eligible Account, at which point they will become Portfolio Margined Contracts;
- (ii) any Portfolio Margined Contracts that are not identified as Identified Off-Setting Listed Interest Rates Contracts as part of the relevant cycle, will be transferred from the relevant SwapClear Eligible Account to the paired Listed Interest Rates Nominated Account, at which point they will cease to be Portfolio Margined Contracts; and
- (iii) the Clearing House's records will evidence the time of the transfers referred to in (i) and (ii) above.

### 2.5.4 *Treatment of Portfolio Margined Contracts in the SwapClear Eligible Account*

#### 2.5.4.1 General

Portfolio Margined Contracts will continue to be treated as Listed Interest Rate Contracts. For the avoidance of doubt, the payment of variation margin in respect of Portfolio Margined Contracts shall continue to represent a daily settlement amount as opposed to a collateralisation amount.

#### 2.5.4.2 Compression

For the avoidance of doubt, Portfolio Margined Contracts are not eligible for compression runs.

#### 2.5.4.3 Transfer

Portfolio Margined Contracts and associated off-setting SwapClear Contracts are not eligible for transfer. A Joint Rates Service Clearing Member that wishes to transfer a Portfolio Margined Contract and associated off-setting SwapClear Contract must reverse the Portfolio Margining Process for such Contracts prior to, and as a precondition to, the transfer of such Contracts.

### 2.6 **Portfolio Margining Reports**

The Clearing House will provide each Portfolio Margining Clearing Member with details of the transfers referred to in paragraph 2.5.3(i) and (ii) above once each business day.

**SCHEDULE 1**  
**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 Rates Service 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 Rates Service 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 Rates Service 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 Rates Service 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 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 2.4, 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 Schedule, the SCM agrees that it shall treat as strictly confidential and shall not disclose or allow to be divulged to any person:
- 3.1.1 Confidential Material;
  - 3.1.2 the fact that it has received any Confidential Material;
  - 3.1.3 the existence of any discussions or negotiations between the parties in this matter;
  - 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 SCM being relieved of such an obligation because of the circumstances covered in paragraphs 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, 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 Schedule by the SCM and any of its employees or representatives to whom Confidential Material is provided in accordance with this Schedule, the SCM's participation in the Rates Service 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 Regulation 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 Schedule to this Agreement) that it distributes to the SCM in connection with the Rates Service 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.



## 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 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.

10.2 Subject to paragraph 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. **Antitrust**

12.1 The SCM acknowledges that the DMG comprises representatives of competing companies and that antitrust law prohibits the sharing of competitively sensitive information as between competitors. The SCM shall procure that its DMG Member has been made aware of the relevant obligations under antitrust laws prior to attending any meetings or calls of the DMG.

12.2 The SCM shall procure that the DMG Member does not share any competitively sensitive information relating to the SCM with any other members of the DMG. In particular, the DMG Member should not:

12.2.1 enter into general business discussions about the SCM's business or ventures in which it has an interest, except where strictly necessary for the purposes of the DMG;

12.2.2 disclose or enter into discussions relating to the SCM's spreads, margins, commissions (paid or received), fee schedules, pricing policies, current or future margins, trading volumes or the SCM's customers;

12.2.3 disclose or enter into discussions relating to the SCM's future plans (such as new products or changes to trading arrangements, prospective clients, business opportunities or product development plans), strategic plans, or expansion plans; or

12.2.4 disclose or enter into discussions relating to prices, commissions paid or payable to, or any other terms and conditions of arrangements between the SCM and other clearing houses, suppliers, brokers or other intermediaries.

12.3 At the beginning of each meeting, the Chairman of the DMG will remind the participants of their obligations under antitrust law.

12.4 The Clearing House will circulate to DMG Members an agenda in advance of all meetings of the DMG. All meetings of the DMG must proceed strictly in accordance with the agenda and will be recorded in minutes circulated by the Clearing House.

12.5 Participants must notify the Clearing House to the extent the minutes do not reflect the relevant meeting.

12.6 If any disclosure or discussions that may be contrary to antitrust law are initiated, the Chairman of the DMG should immediately cease such disclosure or discussions and, if specific participants have raised concerns, allow them to record these concerns in the minutes.

## 13. **Confidentiality and Non-Disclosure: General Obligations of the Clearing House**

The Clearing House will treat all Confidential Material in the terms envisaged in this Schedule, confining use to the Rates Service 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.

**14. 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.

**SCHEDULE 2      RATE CHANGE ANNEXES****SWAPCLEAR SCM SERVICE - RATE CHANGE ANNEX – SECURED  
OVERNIGHT FINANCING RATE (SOFR)****1.      SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Rate Change Annex” as defined in and pursuant to the Regulations and supplements and forms part of the Rulebook.
- (b) This Annex relates to the change in the rate from the Fed Funds Rate to the Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York, as administrator (or a successor administrator) (**SOFR**) for the purposes of (i) calculating PAI, (ii) calculating the Price Alignment Amount, and (iii) constituting the relevant underlying benchmark for the instruments used to construct the Clearing House’s zero coupon yield curves under 1.7.2 of Section 2C of the Procedures to calculate the net present value, each in relation to the Impacted SwapClear Contracts.
- (c) The terms of this Annex shall apply to all Impacted SwapClear Contracts (as set-out in the Rate Change Notice relating to SOFR) that are registered with the Clearing House as set out below. For the avoidance of doubt, (i) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and each SwapClear Contract shall remain in full force and effect, and (ii) the SwapClear Contract Terms shall not be amended by the terms of this Annex.
- (d) Capitalized terms used but not otherwise defined in this Annex have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (e) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

**2.      DEFINITIONS**

For the purposes of this Annex:

**Auction Adjustment per Unit** means, in relation to a Maturity Bucket, an amount in USD equal to (i) the aggregate of all Auction Winner Amounts for that Maturity Bucket divided by (ii) the total notional amount of Discounting Risk Swaps in that Maturity Bucket which have been liquidated pursuant to the Cash Settlement Schedule.

**Auction Date** means, in relation to a Rate Change Notice relating to SOFR, the date specified as such by the Clearing House in such Rate Change Notice, being the date on which the auctions referred to herein and the Cash Settlement Supplement shall be held and certain amounts payable hereunder shall be calculated.

**Auction Winner** means, in relation to the Net Auction Contract Pair in respect of a Maturity Bucket, each Cash Settlement Participant (as defined in the Cash Settlement Schedule) that has submitted the winning price for such Net Auction Contract Pair, as determined by the Clearing House in accordance with the Cash Settlement Supplement.

**Auction Winner Amount** means, in relation to the Net Auction Contract Pair for a Maturity Bucket and an Auction Winner, an amount in USD equal to the product of: (i) that Auction Winner's Winning Bid Quantity; (ii) the difference between that Auction Winner's Winning Bid Price and the Mid-Price; and (iii) the SOFR Basis Point Cash Value per Million, each for that Maturity Bucket. If the Auction Winner's Winning Bid Price is a price that by reference to the Mid-Price is (a) in favor of the Clearing House, the Auction Winner Amount shall be a negative amount or (b) in favor of the Auction Winner, the Auction Winner Amount shall be a positive amount.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 8 below.

**Cash Only Client** means a SwapClear Clearing Client that has its positions recorded in a Cash Only Client Position Account.

**Cash Only Client Position Account** means:

(i) each Individual Segregated Account registered in the name of a SwapClear Clearing Client that is identified as a Cash Only Client Position Account in a Cash Only Election Notice; and

(ii) each "position account" within an Omnibus Segregated Account that is identified as a Cash Only Client Position Account in a Cash Only Election Notice, provided that, each "position account" in a net Omnibus Segregated Account shall be a Cash Only Client Position Account if the Clearing House has received a Cash Only Election Notice in relation to at least one "position account" in such net Omnibus Segregated Account. The phrase Omnibus Segregated Account includes both a "net" Omnibus Segregated Account and a "gross" Omnibus Segregated Account.

**Cash Only Client Position Account Auction Adjustment** means, in relation to a Cash Only Client Position Account and a Maturity Bucket, an amount in USD in favor of the Clearing House or a SwapClear Clearing Member (as applicable) equal to the product of (i) the notional amount of Discounting Risk Swaps for that Maturity Bucket that would, but for the delivery of the Cash Only Election Notice, have been registered in that Cash Only Client Position Account and which have been liquidated pursuant to the Cash Settlement Schedule, and (ii) the Auction Adjustment per Unit for that Maturity Bucket.

**Cash Only Election Cut-Off Date** is the date specified as such by the Clearing House in a Rate Change Notice relating to SOFR, being the date by which SwapClear Clearing Members must deliver any Cash Only Election Notices to the Clearing House.

**Cash Only Election Notice** means a written notice delivered by a SwapClear Clearing Member to the Clearing House in accordance with this Annex identifying each Individual Segregated Account and/or each "position account" within each Omnibus Segregated Account held by that SwapClear Clearing Member in respect of which there has been an election to be treated as a Cash Only Client Position Account(s) in accordance with Section 4 of this Annex.

**Cash Settlement Schedule** means the schedule hereto which sets out the terms on which the Clearing House shall conduct one or more auctions for purposes of determining certain amounts, curves and spreads and related information relevant to this Annex, as supplemented

by any Cash Settlement Supplement published by the Clearing House from time to time. The Cash Settlement Schedule supplements, and forms part of, this Annex.

**Cash Settlement Supplement** means any document identified as such by the Clearing House which supplements and forms part of the Cash Settlement Schedule and sets out further terms in relation to the auctions.

**Cash Valuation Change Amount (MXN)** means each amount denominated in MXN and determined in accordance with Section 7.5 of this Annex.

**Cash Valuation Change Amount (USD)** means each amount denominated in USD and determined in accordance with Section 7.1, Section 7.2 or Section 7.3 of this Annex.

**De Minimis Participant Account** means, in relation to a Maturity Bucket, any Proprietary Account, Individual Segregated Account, or "position account" within an Omnibus Segregated Account that, as of the Swap Portfolio Calculation Date, would have an allocation of Discounting Risk Swaps in a given Maturity Bucket with a notional amount that is closer to zero than to the integral number set out in the table in paragraph 5.1(c) in relation to that Maturity Bucket.

**Discounting Risk Auction** has the meaning given to it in the Cash Settlement Schedule.

**Discounting Risk Swaps** means the SwapClear Contracts determined, identified and notified by the Clearing House in accordance with Section 5 this Annex and entered into and registered between the Clearing House and a SwapClear Clearing Member pursuant to Regulation 60B.

**FedFunds Discounted Value** means, in relation to an Impacted SwapClear Contract, the net present value, as of the end of the "business day" in New York on the Auction Date, of all future cash flows under that Impacted SwapClear Contract calculated using the Fed Funds Rate as the discounting rate for the purposes of constructing the zero coupon yield curves under 1.7.2 of Section 2C of the Procedures (with the future cash flows calculated in the same manner as for the determination of the SOFR Discounted Value). If the net present value represents an asset or positive value for the Clearing House, such FedFunds Discounted Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such FedFunds Discounted Value shall be a negative amount.

**Maturity Bucket** means, in relation to the Impacted SwapClear Contracts, Discounting Risk Swaps and Net Auction Contract Pairs, a group of such contracts which all have the same maturity, being either two years, five years, ten years, fifteen years, twenty years or thirty years from the date of registration.

**Mid-Price** has, in relation to the Net Auction Contract Pair for a Maturity Bucket, the meaning given to it in the Cash Settlement Schedule, and shall be expressed in basis points.

**Mid-Price Auction** has the meaning given to it in the Cash Settlement Schedule.

**MXN Impacted SwapClear Contracts** has the meaning given to it in Section 7 of this Annex.

**Net Auction Contract Pair** has the meaning given to it in the Cash Settlement Schedule.

**SOFR Basis Point Cash Value per Million** means, in relation to the Net Auction Contract Pair for a Maturity Bucket, an amount in USD equal to the change (expressed as a positive if a gain and a negative if a loss) in value of such Net Auction Contract Pair with a notional amount of USD one million as a result of adding a one basis point spread to the SOFR leg, as determined by the Clearing House in its sole discretion.

**SOFR Discounted Value** means, in relation to an Impacted SwapClear Contract, the net present value, as of the end of the "business day" in New York on the Auction Date, of all future cash flows under that Impacted SwapClear Contract using the SOFR Discounting Curve for the purposes of such calculation (with the future cash flows calculated in the same manner as for the determination of the FedFunds Discounted Value). If the net present value represents an asset or positive value for the Clearing House, such SOFR Discounted Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such SOFR Discounted Value shall be a negative amount.

**SOFR Discounting Curve** means the SOFR pricing curve constructed by the Clearing House in accordance with Section 4 of the Cash Settlement Schedule.

**Swap Portfolio Calculation Date** means, in relation to a Rate Change Notice relating to SOFR, the date specified as such by the Clearing House in such Rate Change Notice relating to SOFR, being the date on which the Clearing House shall determine the portfolios of Discounting Risk Swaps in relation to all Impacted SwapClear Contracts registered with the Clearing House on such date.

**Winning Bid Price** means, in relation to the Net Auction Contract Pair for a Maturity Bucket and an Auction Winner, the price payable to, or by, that Auction Winner to the Clearing House, expressed as a positive or negative spread in basis points on the SOFR leg of the Net Auction Contract Pair for that Maturity Bucket and determined through a modified Dutch auction as further set-out in the Cash Settlement Supplement(s). For the avoidance of doubt: (a) if the Clearing House is the receiver of SOFR under the Net Auction Contract Pair, and (1) the spread is a positive amount, the Winning Bid Price shall be a positive amount; or (2) the spread is a negative amount, the Winning Bid Price shall be a negative amount; and (b) if the Clearing House is the receiver of the Fed Funds Rate under the Net Auction Contract Pair, and (1) the spread is a positive amount, the Winning Bid Price shall be a negative amount; or (2) the spread is a negative amount, the Winning Bid Price shall be a positive amount.

**Winning Bid Quantity** means, in relation to an Auction Winner and a Net Auction Contract Pair for a Maturity Bucket, the notional amount (expressed in units of USD one million) of the Discounting Risk Swap related to such Net Auction Contract Pair (or the part thereof) which will be determined by the Clearing House pursuant to the Cash Settlement Supplement and registered in the Proprietary Account of the Auction Winner.

### **3. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

- (a) In connection with the change from the Fed Funds Rate to SOFR described in Section 1(b) above, pursuant to and in accordance with the Clearing House's powers under Regulation 60B of the Regulations, this Annex sets out the method by which the Clearing House will:

**Cash Valuation Change Amount (USD), Cash Valuation Change Amount (MXN) and Cash Compensation Contracts**

- (i) for each Proprietary Account, each Individual Segregated Account and each "position account" within each Omnibus Segregated Account, calculate the following amounts, in each case, if any:
  - (A) Cash Valuation Change Amount (USD); and
  - (B) Cash Valuation Change Amount (MXN),each of which are "Rate Change Payments" for the purpose of Regulation 60B.
- (ii) determine and register, pursuant to Regulation 60B, certain Cash Compensation Contracts in each Proprietary Account, Individual Segregated Account and each "position account" within each Omnibus Segregated Account in accordance with Section 8 of this Annex in order to effect the payment of each Cash Valuation Change Amount (USD), Cash Valuation Change Amount (MXN), Cash Only Client Position Auction Adjustment, and Auction Winner Amount, in each case, if any;

**Discounting Risk Swaps and Auction Winner Amounts**

- (iii) subject to (b) below, for (x) each Proprietary Account and (y) each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account which is not a Cash Only Client Position Account, determine how certain Discounting Risk Swaps shall be identified in accordance with Section 5, registered and entered into between the Clearing House and each SwapClear Clearing Member pursuant to Regulation 60B and the terms of those Discounting Risk Swaps;
  - (iv) subject to (b) below, for each Cash Only Client Position Account, calculate the related Cash Only Client Position Account Auction Adjustments (which shall also each be a "Rate Change Payment" for the purpose of Regulation 60B); and
  - (v) for each Auction Winner, calculate the Auction Winner Amount (which shall also be a "Rate Change Payment" for the purpose of Regulation 60B).
- (b) Any account that is a De Minimis Participant Account in relation to a Maturity Bucket shall not have any Discounting Risk Swaps in that Maturity Bucket determined or registered in its name and shall not be obliged to pay, or entitled to receive, any Cash Only Client Position Account Auction Adjustments. Any Cash Only Election Notice received in relation to an Individual Segregated Account or "position account" within an Omnibus Segregated Account that is a De Minimis Participant Account as of the Auction Date shall be invalid and shall have no effect whatsoever (and, for the avoidance of doubt, the Discounting Risk Swaps that would otherwise be registered in any De Minimis Participant Account shall not count towards the Net Auction Contract Pair for any Maturity Bucket).



#### **4. CLEARING MEMBER DEALINGS WITH CLIENTS AND CLIENT CASH ONLY ELECTIONS**

##### **Client Cash Only Elections**

- (a) In relation to its SwapClear Client Clearing Business, a SwapClear Clearing Member shall provide each SwapClear Clearing Client with an election not to have Discounting Risk Swaps registered on that SwapClear Clearing Client's behalf in relation to Impacted SwapClear Contracts registered in the relevant Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, and instead, subject to Section 4(d) below, to assume a right, or an obligation to pay or be paid an amount equal to the Cash Only Client Position Account Auction Adjustment in respect of the relevant Individual Segregated Account or "position account", as determined pursuant to this Annex (except in the circumstances provided for in the Cash Settlement Schedule, where the election not to have Discounting Risk Swaps registered may be overridden).
- (b) A SwapClear Clearing Member shall be entitled to deliver Cash Only Election Notices to the Clearing House at any time up to, and including, the Cash Only Election Cut-Off Date. All Cash Only Election Notices must be delivered to the Clearing House via the SwapClear Portal.
- (c) No SwapClear Clearing Member shall be entitled to deliver a Cash Only Election Notice in respect of its Proprietary Accounts and any such notice shall be invalid and shall have no effect whatsoever.
- (d) The Clearing House reserves the right to reject any Cash Only Election Notice received by the Clearing House after the end of the "business day" in New York on the Cash Only Election Cut-Off Date. A SwapClear Clearing Member shall only be entitled to deliver a Cash Only Election Notice in respect of all, but not some only, of the SwapClear Contracts registered in the name of a SwapClear Clearing Client in a single Individual Segregated Account or a single "position account" within an Omnibus Segregated Account. In relation to an Omnibus Segregated Account, the SwapClear Clearing Member shall be entitled to deliver a separate Cash Only Election Notice in relation to each "position account" within that Omnibus Segregated Account, provided however that, in relation to a net Omnibus Account, if the SwapClear Clearing Member has delivered a Cash Only Election Notice in respect of any "position account", all "position accounts" therein shall be Cash Only Client Position Accounts.
- (e) The delivery by a SwapClear Clearing Member of a Cash Only Election Notice shall be deemed, as of the end of the "business day" in New York on the Cash Only Election Cut-Off Date, to be an irrevocable instruction of that SwapClear Clearing Member (for itself and acting on behalf of the relevant SwapClear Clearing Client(s) for whom the Individual Segregated Account or any "position account" within an Omnibus Segregated Account which such Cash Only Election Notice affects is held) to the Clearing House to determine the Cash Valuation Change Amount (USD), the Cash Valuation Change Amount (MXN) and each Cash Only Client Position Account Auction Adjustment in accordance with Section 7.3, Section 7.4 and Section 7.5 of this Annex and to register the related Cash Compensation Contracts in the relevant Individual Segregated Account or "position account" within an Omnibus Segregated Account in accordance with this Annex.

- (f) If a SwapClear Clearing Member does not deliver a Cash Only Election Notice in respect of an Individual Segregated Account or "position account" within an Omnibus Segregated Account held for a SwapClear Clearing Client then that shall be deemed, as of the end of the "business day" in New York on the Cash Only Election Cut-Off Date, to be an irrevocable instruction of that SwapClear Clearing Member (for itself and acting on behalf of that SwapClear Clearing Client) to the Clearing House to (i) determine the Cash Valuation Change Amount (USD) and the Cash Valuation Change Amount (MXN) in accordance with Section 7.2 and Section 7.5 of this Annex and to register the related Cash Compensation Contract in the relevant Individual Segregated Account or "position account" within an Omnibus Segregated Account in accordance with this Annex, and (ii) determine the Discounting Risk Swaps to be allocated to such Individual Account or "position account" within an Omnibus Segregated Account in accordance with this Annex and to register such Discounting Risk Swaps in such account.
- (g) By not delivering a Cash Only Election Notice, in relation to an Individual Segregated Account or "position account" within an Omnibus Segregated Account, each SwapClear Clearing Member represents and warrants to the Clearing House on the Cash Only Election Cut-Off Date that (i) it has used reasonable endeavors to obtain instructions from each SwapClear Clearing Client in relation to the exercise of an election not to receive Discounting Risk Swaps in relation to such account or "position account" and (ii) it has not received instructions from any SwapClear Clearing Client to deliver a Cash Only Election Notice in respect of such account or "position account".

#### **Clearing Member Obligations**

- (h) Each SwapClear Clearing Member (and in the case of (h)(vi) below, each SwapClear Clearing Member and the Clearing House):
- (i) agrees to use reasonable endeavors to provide its SwapClear Clearing Clients with (i) information on the change in the rate from the Fed Funds Rate to SOFR pursuant to the terms of Regulation 60B and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be registered in that SwapClear Clearing Client's Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, (iii) information on the Discounting Risk Swaps which may be allocated to that SwapClear Clearing Client's Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, and (iv) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account" that the Clearing House has notified Clearing Members must be provided to SwapClear Clearing Clients.. Such information shall include the terms of this Annex and any information which it has received from, or is made available by, the Clearing House in connection with this Annex, including any risk disclosure statements relating to the matters herein;
- (ii) agrees that it, and each applicable SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts and Discounting Risk Swaps registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);

- (iii) represents and warrants to the Clearing House as at the Cash Only Election Cut-off Date that each Cash Only Client in relation to which it has delivered a Cash Only Election Notice (A) has instructed the SwapClear Clearing Member to deliver the Cash Only Election Notice on its behalf, and (B) has expressly agreed (i) that by electing for its Individual Segregated Account or "position account" within an Omnibus Segregated Account to be a Cash Only Client Position Account under this Annex it shall not, other than if (X) the Cash Settlement Schedule provides that one or more Discounting Risk Auctions have failed, or (Y) some of the Discounting Risk Swaps are not successfully auctioned and liquidated in accordance with the Cash Settlement Schedule, be party to any Discounting Risk Swaps (ii) that it shall be obliged to pay or entitled to receive the Cash Valuation Change Amount (USD), the Cash Valuation Change Amount (MXN) and, provided the Cash Only Client Position Account is not a De Minimis Participant Account, each Cash Only Client Position Account Auction Adjustment determined in accordance with Section 7.3, Section 7.4 and Section 7.5 of this Annex, and (iii) that the Cash Only Client Position Account Auction Adjustment may not be economically equivalent to being party to any such Discounting Risk Swaps or liquidating, closing-out, selling or replacing the Discounting Risk Swaps in the relevant market;
- (iv) acknowledges that the Cash Valuation Change Amounts, the Auction Winner Amounts, each Cash Only Client Position Account Auction Adjustment, and the spread in relation to the Discounting Risk Swaps shall be determined by reference to the Discounting Risk Auctions and the Mid-Price Auctions, and agrees to be bound by the results of such auctions and the terms of the Cash Settlement Schedule and the Cash Settlement Supplement;
- (v) agrees to perform all obligations and exercise all rights under this Annex, the Cash Settlement Schedule, the Cash Settlement Supplement, the Cash Compensation Contracts and the Discounting Risk Swaps in accordance with Applicable Law; and
- (vi) agrees (in the case of the Clearing House) and acknowledges (in the case of the SwapClear Clearing Member) that each Cash Compensation Contract and Discounting Risk Swap is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value and discounting risk impact of the change from the Fed Funds Rate to SOFR and effecting the payment of amounts owed to, or payable by, the Auction Winner.

## **5. DETERMINING THE PORTFOLIO OF DISCOUNTING RISK SWAPS**

- 5.1 On the Swap Portfolio Calculation Date, the Clearing House shall allocate Impacted SwapClear Contracts into different Maturity Buckets based on the tenor of the discounting risk associated with such Impacted SwapClear Contracts. Any Impacted SwapClear Contract that has discounting risk with a tenor that falls between two different Maturity Buckets shall be allocated to the nearest two Maturity Buckets in the Clearing House's sole and absolute discretion. Separately in respect of the Impacted SwapClear Contracts allocated to each Maturity Bucket in each Proprietary Account, Individual Segregated Account and "position account" within each Omnibus Segregated Account, the Clearing House shall determine a portfolio of Discounting

Risk Swaps which is designed to, in the Clearing House's sole and absolute discretion and to the extent practicable, replicate the Fed Funds Rate discounting risk profile in relation to such SwapClear Contracts as of the Swap Portfolio Calculation Date. For the avoidance of doubt, the determination by the Clearing House pursuant to this paragraph may be different from a SwapClear Clearing Member's or SwapClear Clearing Client's models or methodologies. Each pair of Discounting Risk Swaps will:

- (a) have a maturity of two years, five years, ten years, fifteen years, twenty years or thirty years from the date of registration;
- (b) when registered, comprise a pair of SwapClear Contracts whereby:
  - (i) under the first SwapClear Contract, the Clearing House or the SwapClear Clearing Member (**Party X**) will receive Fed Funds and pay to the other party (**Party Y**) fixed amounts, which shall be determined by reference to the fixed rate, determined by the Clearing House in accordance with its usual processes, that would be payable on the fixed leg of a SwapClear Contract at the close of business on the Swap Portfolio Calculation Date where the floating rate is the Fed Funds Rate and the maturity date corresponds to the applicable maturity referred to in (a) above; and
  - (ii) under the second SwapClear Contract, Party X will pay SOFR and receive from Party Y a fixed amount, which shall be a fixed rate, determined by subtracting the spread equal to the Mid-Price determined pursuant to the Cash Settlement Schedule from the fixed rate referred to in (i) above, provided that if the process referred to in the Cash Settlement Schedule fails to provide the Mid-Price for the relevant Maturity Bucket, the Clearing House shall determine the spread for that Maturity Bucket using its customary methodology and applying it to observable market data points and applying linear interpolation where the Clearing House considers appropriate; and
- (c) have a notional amount that is determined by the Clearing House, in its sole and absolute discretion, where such notional amount shall be rounded to the nearest integral number set out in the following table:

Maturity Bucket	2Y	5Y	10Y	15Y	20Y	30Y
Amount in USD to which the notional amount will be rounded to	5,000,000	2,500,000	1,250,000	500,000	500,000	500,000

- 5.2 The Clearing House shall separately determine the portfolio of Discounting Risk Swaps in respect of each of the following (excluding, in relation to a Maturity Bucket, any De Minimis Participant Accounts in relation to that Maturity Bucket) as of the Swap Portfolio Calculation Date:
- (a) the Impacted SwapClear Contracts then registered in each SwapClear Clearing Member's Proprietary Account;
  - (b) the Impacted SwapClear Contracts then registered in each Individual Segregated Account held for any SwapClear Clearing Client; and
  - (c) the Impacted SwapClear Contracts then registered in a "position account" in the name of each SwapClear Clearing Client within each Omnibus Segregated Account
- 5.3 The Clearing House shall promptly notify each SwapClear Clearing Member of each portfolio of Discounting Risk Swaps it has determined pursuant to this Section 5 in respect of each account or "position account" held by each SwapClear Clearing Member as set out above.
- 5.4 Without prejudice to the above, at any time prior to the Swap Portfolio Calculation Date, the Clearing House may publish indicative portfolios of the Discounting Risk Swaps in relation to the Impacted SwapClear Contracts then registered in the name of a SwapClear Clearing Member for information only.

## **6. THE AUCTIONS**

- 6.1 On the Auction Date the Clearing House shall conduct one or more Discounting Risk Auctions and Mid-Price Auctions and each such auction shall be conducted in respect of both LCH's SCM service and LCH's FCM service. The initial terms of the Discounting Risk Auctions and the Mid-Price Auctions shall be as set out in the Cash Settlement Schedule and the Clearing House shall supplement such terms to provide further detail on the operation of the auctions through publication of one or more Cash Settlement Supplements, provided however that, the Clearing House shall not be entitled to materially alter the nature of the obligations of any SwapClear Clearing Member under this Rate Change Annex via any Cash Settlement Supplement. Each Cash Settlement Supplement shall be deemed to supplement, and form part of, the Cash Settlement Schedule and the Clearing House shall be entitled to supplement, modify, amend, replace or withdraw the Cash Settlement Schedule or Cash Settlement Supplements (in whole or in part) from time to time in its sole discretion through such method as the Clearing House shall determine is appropriate.
- 6.2 Each SwapClear Clearing Member that is an Expected Cash Settlement Participant (as defined in the Cash Settlement Schedule) agrees that it shall use all reasonable efforts to submit pricing in accordance with the Cash Settlement Schedule for the Net Auction Contract Pair in each Maturity Bucket.

## 7. THE CASH VALUATION CHANGE AMOUNTS AND THE CASH ONLY CLIENT POSITION ACCOUNT AUCTION ADJUSTMENTS

### *All Impacted SwapClear Contracts other than TIIE Interest Rate Swaps denominated in MXN*

The following provisions are applicable in relation to all Impacted SwapClear Contracts other than Impacted SwapClear Contracts that are TIIE interest rate swaps denominated in MXN. With respect to the calculations to be performed under Section 7.1 to 7.3 (inclusive) below, for the purposes of determining the Cash Valuation Change Amount (USD) in relation to non-deliverable interest rate swaps the Clearing House shall first convert into USD the value of the discounted future cash flows which are not denominated in USD by applying the relevant rate of exchange as determined by the Clearing House in accordance with its usual procedures. Each of the calculations performed under Sections 7.1 to 7.3 (inclusive) below shall include any non-deliverable interest rate swaps registered in the relevant account or "position account" as of the end of the "business day" in New York on the Auction Date.

#### *Proprietary Accounts*

- 7.1 Immediately following the conclusion of the Discounting Risk Auctions (or determination by the Clearing House that such auctions shall not occur) on the Auction Date, the Clearing House shall calculate the Cash Valuation Change Amount (USD) in respect of each Proprietary Account as follows:
- (a) the Clearing House shall calculate the aggregate FedFunds Discounted Value and the aggregate SOFR Discounted Value in relation to each Impacted SwapClear Contract registered in each Proprietary Account as of the end of the "business day" in New York on the Auction Date;
  - (b) if the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in a Proprietary Account exceeds the aggregate FedFunds Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Valuation Change Amount (USD) shall be an amount equal to the absolute value of the difference and shall be an amount in favor of the Clearing House in relation to such Proprietary Account; and
  - (c) if the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in a Proprietary Account is less than the aggregate FedFunds Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Valuation Change Amount (USD) shall be an amount equal to the absolute value of the difference and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account.

#### *Client Accounts (excluding Cash Only Client Position Accounts)*

- 7.2 The following only applies in relation to each Individual Segregated Account or "position account" within each Omnibus Segregated Account that is not a Cash Only Client Position Account. Immediately following the conclusion of the Discounting Risk Auctions (or determination by the Clearing House that such auctions shall not occur) on the Auction Date the Clearing House shall determine the Cash Valuation

Change Amount (USD) in respect of the Impacted SwapClear Contracts registered in each Individual Segregated Account or "position account" within each Omnibus Segregated Account that is not a Cash Only Client Position Account as follows:

- (a) the Clearing House shall calculate the aggregate FedFunds Discounted Value and the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in such account as of the end of the "business day" in New York on the Auction Date;
- (b) if the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in such account exceeds the aggregate FedFunds Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Valuation Change Amount (USD) shall be an amount equal to the absolute value of the excess and shall be an amount in favor of the Clearing House in relation to such account; and
- (c) if the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in such account is less than the aggregate FedFunds Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Valuation Change Amount (USD) shall be an amount equal to the absolute value of the difference and shall be an amount in favor of the SwapClear Clearing Member in relation to such account.

#### *Cash Only Client Position Accounts*

7.3 The following applies only in relation to Cash Only Client Position Accounts. Immediately following the conclusion of the Discounting Risk Auctions (or determination by the Clearing House that such auctions shall not occur) on the Auction Date the Clearing House shall determine the Cash Valuation Change Amount (USD) in respect of the Impacted SwapClear Contracts registered in a Cash Only Client Position Account as follows:

- (a) the Clearing House shall calculate the aggregate FedFunds Discounted Value and the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in such account as of the end of the "business day" in New York on the Auction Date;
- (b) if the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in such account exceeds the aggregate FedFunds Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Valuation Change Amount (USD) shall be an amount equal to the absolute value of the difference and shall be an amount in favor of the Clearing House in relation to such account;
- (c) if the aggregate SOFR Discounted Value in relation to all Impacted SwapClear Contracts registered in such account is less than the aggregate FedFunds Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Valuation Change Amount (USD) shall be an amount equal to the absolute value of the difference and shall be an amount in favor of the SwapClear Clearing Member in whose name such Cash Only Client Position Account is held; and

- 7.4 Immediately following the conclusion of the Discounting Risk Auctions on the Auction Date, provided that the Discounting Risk Auction for the relevant Maturity Bucket occurs in accordance with the Cash Settlement Schedule, the Clearing House shall calculate, in respect of each Cash Only Client Position Account the aggregate Cash Only Client Position Account Auction Adjustment in relation to each Maturity Bucket.

***Impacted SwapClear Contracts which are TIE Interest Rate Swaps denominated in MXN***

- 7.5 Immediately following the conclusion of the Discounting Risk Auctions (or determination by the Clearing House that such auctions shall not occur) on the Auction Date the Clearing House shall determine the Cash Valuation Change Amount (MXN) separately in respect of each Impacted SwapClear Contracts that is a TIE interest rate swap denominated in MXN (**MXN Impacted SwapClear Contracts**) registered in each Proprietary Account, Individual Segregated Account and "position account" within an Omnibus Segregated Account, as follows:
- (a) first, for the purposes of determining the Cash Valuation Change Amount (MXN) in relation to the MXN Impacted SwapClear Contracts, the value of the discounted future cash flows thereunder shall be multiplied by the relevant USD/MXN rates of exchange determined by the Clearing House in accordance with the Clearing House's usual procedures;
  - (b) second, the Clearing House shall calculate the aggregate FedFunds Discounted Value and the aggregate SOFR Discounted Value in relation to all MXN Impacted SwapClear Contracts registered in such account as of the end of the "business day" in New York on the Auction Date;
  - (c) if the aggregate SOFR Discounted Value in relation to all such MXN Impacted SwapClear Contracts registered in such account exceeds the aggregate FedFunds Discounted Value in relation to all such MXN Impacted SwapClear Contracts then the Cash Valuation Change Amount (MXN) shall be an amount in MXN equal to the absolute value of the difference and shall be an amount in favor of the Clearing House in relation to such account; and
  - (d) if the aggregate SOFR Discounted Value in relation to all MXN Impacted SwapClear Contracts registered in such account is less than the aggregate FedFunds Discounted Value in relation to all such MXN Impacted SwapClear Contracts then the Cash Valuation Change Amount (MXN) shall be an amount in MXN equal to the absolute value of the difference and shall be an amount in favor of the SwapClear Clearing Member in whose name such Cash Only Client Position Account is held.

**8. REGISTRATION OF CASH COMPENSATION CONTRACTS**

- 8.1 On the basis of the calculations set forth in Section 7 above, the Clearing House shall determine, as applicable, the Cash Valuation Change Amount (USD), the Cash Valuation Change Amount (MXN), the Cash Only Client Position Account Auction Adjustments and the Auction Winner Amount in respect of each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account and each SwapClear Clearing Member and the Clearing House (as



applicable) irrevocably agrees that it shall be bound to pay such amounts to the other pursuant to the terms of the related Cash Compensation Contracts.

- 8.2 The Clearing House shall, pursuant to Regulation 60B, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each of the following amounts (to the extent such amounts are applicable to such account or "position account"):
- (a) Cash Valuation Change Amounts (USD);
  - (b) Cash Valuation Change Amounts (MXN);
  - (c) Cash Only Client Position Account Auction Adjustments; and
  - (d) Auction Winner Amounts.
- 8.3 Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Valuation Change Amount (USD), Cash Valuation Change Amount (MXN), Cash Only Client Position Account Auction Adjustments or Auction Winner Amount (as applicable) to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of USD1 (or, in the case of the Cash Compensation Swap relating to the Cash Valuation Change Amount (MXN), MXN1), a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the Auction Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other an amount equal to the Cash Valuation Change Amount (USD), Cash Valuation Change Amount (MXN), Cash Only Client Position Account Auction Adjustments or Auction Winner Amount (as applicable) in relation to the relevant account or "position account", with such amounts determined in accordance with Section 7 of this Annex. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Valuation Change Amount (USD), Cash Valuation Change Amount (MXN), Cash Only Client Position Account Auction Adjustment or Auction Winner Amount (as applicable) to which such Cash Compensation Contract relates.
- 8.4 Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 8, which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the Impacted SwapClear Contracts.

## **9. REGISTRATION OF DISCOUNTING RISK SWAPS**

- 9.1 Immediately following the conclusion of the Discounting Risk Auctions (or determination by the Clearing House that such auctions shall not occur) on the Auction Date the Clearing House shall notify all SwapClear Clearing Members of the Discounting Risk Swaps that will be registered in the accounts in accordance with this Annex. If the Clearing House exercises its powers pursuant to Section 4(b) of the Cash Settlement Schedule, then, as soon as practicable following such exercise, it shall notify all SwapClear Clearing Members of the Discounting Risk Swaps that will be registered

in their Proprietary Accounts, Individual Segregated Accounts and "position accounts" within each Omnibus Segregated Account and it shall register such Discounting Risk Swaps in such accounts without regard to any Cash Only Election Notice.

- 9.2 Except as provided in Section 9.3 below, on the first "business day" immediately following the Auction Date the Clearing House shall:
- (a) in relation to each Auction Winner, register the related Discounting Risk Swaps (or portion thereof) in the Proprietary Account of the Auction Winner and each Auction Winner and the Clearing House shall become party to such Discounting Risk Swaps;
  - (b) in relation to each Proprietary Account other than De Minimis Participant Accounts, register the Discounting Risk Swaps determined pursuant to Section 5.2(a) in each SwapClear Clearing Member's Proprietary Account; and
  - (c) in relation to each Individual Segregated Account and "position account" within each Omnibus Segregated Account other than Cash Only Client Position Accounts and De Minimis Participant Accounts, register the Discounting Risk Swaps determined pursuant to Section 5.2(b), and (c) in relation to such SwapClear Clearing Client in the relevant account.

- 9.3 Each SwapClear Clearing Member agrees to be bound by each Discounting Risk Swap registered pursuant to this Section 9, which shall, when registered, constitute SwapClear Contracts between the Clearing House and the relevant SwapClear Clearing Member that have arisen by reason of the application of the Regulations to the Impacted SwapClear Contracts.

## **10. DETERMINATIONS BINDING**

Subject to Section 13, all determinations and calculations made by the Clearing House pursuant to this Annex and the Cash Settlement Schedule shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **11. RECORDS**

The Clearing House shall update its books and records to reflect the Discounting Risk Swaps, Cash Compensation Contracts, Cash Valuation Change Amounts (USD), Cash Valuation Change Amounts (MXN), Auction Winner Amounts and Cash Only Client Position Account Auction Adjustments resulting from the operation of this Annex and the Cash Settlement Schedule. The obligation to pay, or the right to receive, any amounts determined under this Annex may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements.

## **12. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 13.

- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Procedures to change the rate used for the purposes of (i) calculating PAI, (ii) calculating the Price Alignment Amount, and (iii) constructing the Clearing House's zero coupon yield curves under 1.7.2 of Section 2C of the Procedures from time to time and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.
- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Clearing Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.

### 13. LIMITATION OF LIABILITY

13.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex; or
- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex;

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

13.2 Without prejudice to the generality of Regulation 52 and clause 14.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and

- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

- 13.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.
- 13.4 For the avoidance of doubt, notwithstanding anything herein or in the Cash Settlement Supplement or Cash Settlement Schedule, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

## CASH SETTLEMENT SCHEDULE

This Cash Settlement Schedule sets forth certain provisions relating to the Discounting Risk Auctions and the Mid-Price Auctions and the cash settlement process in relation to both the SOFR Rate Change Annex for the SCM service and the SOFR Rate Change Annex for the FCM Service and may be supplemented from time to time by one or more Cash Settlement Supplements.

### 2. AUCTIONED CONTRACTS

The Clearing House shall determine a single Net Auction Contract Pair (as defined below) separately for each Maturity Bucket as follows:

- (a) first, the Clearing House shall determine the portfolio of Discounting Risk Swaps for each Maturity Bucket that would, but for the Cash Only Election Notices, have been registered in each of the Cash Only Client Position Accounts in accordance with the SOFR Rate Change Annex for the SCM service and the SOFR Rate Change Annex for the FCM service; and
- (b) second, the Clearing House shall aggregate and net all of the risks and cash flows for the above Discounting Risk Swaps for each Maturity Bucket to determine a single pair of Discounting Risk Swaps for each Maturity Bucket, and each such pair of Discounting Risk Swaps shall be the **Net Auction Contract Pair** for that Maturity Bucket.

Each Net Auction Contract Pair shall comprise (i) a Discounting Risk Swap pursuant to which, the Clearing House or the SwapClear Clearing Member (**Party X**) will receive Fed Funds and pay to the other party (**Party Y**) fixed amounts, which shall be determined by reference to the fixed rate determined by the Clearing House in accordance with its usual processes, that would be payable on the fixed leg of a SwapClear Contract at the close of business on the Swap Portfolio Calculation Date where the floating rate is the Fed Funds Rate and the maturity date corresponds to the relevant Maturity Bucket and (ii) a Discounting Risk Swap pursuant to which Party X pay SOFR and receive from Party Y a fixed amount, which shall be a fixed rate, determined by subtracting the spread equal to the Mid-Price determined pursuant to this Cash Settlement Schedule from the fixed rate referred to in (a) above, provided that if the process referred to in this Cash Settlement Schedule fails to provide the Mid-Price for the relevant Maturity Bucket, the Clearing House shall determine the spread for that Maturity Bucket using its customary methodology and applying it to observable market data points and applying linear interpolation where the Clearing House considers appropriate.

For the avoidance of doubt, the above determinations are made solely for the purposes of determining the Net Discounting Risk Swaps that shall be subject to the Discounting Risk Auctions and, prior to the registration of the Discounting Risk Swaps resulting from the from the Discounting Risk Auctions, no SwapClear Contracts shall be registered in any SwapClear Clearing Member's accounts.

For these purposes:

**Cash Settlement Participants** means those SwapClear Clearing Members and FCM Clearing Members (if any) who have notified the Clearing House via the SwapClear Portal by the cut-off time specified by the Clearing House in the Rate Change Notice related to SOFR that they shall participate in the Discounting Risk Auctions and Mid-Price Auctions. For the avoidance

of doubt, only one SwapClear Clearing Member per group of affiliated SwapClear Clearing Members shall be entitled to submit pricing and such SwapClear Clearing Member shall be bound by the terms of such pricing and the terms of this Cash Settlement Schedule, the Cash Settlement Supplement and the applicable Rate Change Annex for SOFR.

**Discounting Risk Auction** means each auction that is not a Mid-Price Auction and that is held by the Clearing House for the purposes of liquidating certain Discounting Risk Swaps described in Section 1 of this Schedule and determining certain spreads, curves, amounts and related information.

**Expected Cash Settlement Participant** means each SwapClear Clearing Member and FCM Clearing Member (if any) that belongs to a group which, during January, February and March 2020, had more than USD1 trillion in gross notional amount of new SwapClear Contracts and/or FCM SwapClear Contracts that are Impacted SwapClear Contracts or Impacted FCM SwapClear Contracts registered in the Proprietary Accounts of all SwapClear Clearing Members or FCM Clearing Members in that group.

**Mid-Price Auction** means each auction that is not a Discounting Risk Auction and that is held by the Clearing House for the purpose of determining the Mid-Price in relation to a Maturity Bucket pursuant to Section 3 of this Schedule.

### 3. PRICE SUBMISSIONS

- (a) The manner in which each Cash Settlement Participant must submit pricing in relation to each Discounting Risk Auction and each Mid-Price Auction shall be further set out by the Clearing House in a Cash Settlement Supplement.
- (b) Each time a Cash Settlement Participant submits pricing in relation to each Discounting Risk Auction and each Mid-Price Auction (as applicable) it shall be deemed to represent and warrant that it has all necessary internal approvals and risk permissions in place to submit such pricing, and pay any amounts and be bound to any Crossed Mid-Price Setting Transactions (as defined below) in connection with such Mid-Price Auction and any SwapClear Contracts and/or SwapClear FCM Contracts registered in its Proprietary Account in connection with such Discounting Risk Auction.
- (c) Each price submitted by a Cash Settlement Participant in connection with a Discounting Risk Auction constitutes an offer to the Clearing House to enter into the Net Auction Contract Pair related to that Discounting Risk Auction and shall be treated for all purposes as an irrevocable firm, executable price. Each price submitted by a Cash Settlement Participant in connection with a Mid-Price Auction constitutes an offer to the other Cash Settlement Participants to enter into a Mid-Price Setting Transaction (as defined below) related to that Mid-Price Auction and shall be treated for all purposes as an irrevocable firm, executable price.
- (d) Subject to paragraph (e) below, the Clearing House may only reject a bid or offer submitted in a Discounting Risk Auction or Mid-Price Auction if it considers, in its sole and absolute discretion, that such bid or offer has been submitted as a result of a manifest error. If the Clearing House makes such a determination it shall first contact the Cash Settlement Participant who submitted such pricing and provide such Cash Settlement Participant with the opportunity to withdraw and/or correct such manifest error before the relevant Discounting Risk Auction or Mid-Price Auction (as

applicable) is concluded. If such pricing is not corrected or withdrawn the Clearing House shall disregard such pricing for all purposes.

- (e) For the purposes of the Discounting Risk Auctions, the Clearing House shall not take into account any bid or offer that is submitted for a Maturity Bucket if the number of basis points between such bid or offer, on the one hand, and the Mid-Price, on the other hand, is greater than the Bid/Offer Limit for that Maturity Bucket. The **Bid/Offer Limit** shall be expressed as a number of basis points and shall be published by the Clearing House prior to the Auction Date. The Bid/Offer Limit shall be within a range published by the Clearing House prior to the Cash Only Election Cut-Off Date.

#### 4. DETERMINING THE MID-PRICE AND CONSTRUCTING THE SOFR PRICING CURVE

- (a) For the purpose of determining the Mid-Price in relation to a Maturity Bucket, on the Auction Date and prior to the commencement of the Discounting Risk Auctions, the Clearing House shall require, and each Cash Settlement Participant shall, in respect of each Maturity Bucket provide to the Clearing House, two-way pricing (bids and offers) to enter into a Fed Funds Rate – SOFR basis swap with a maturity equal to the maturity for that Maturity Bucket and a notional amount to be determined by the Clearing House in its sole and absolute discretion and notified to the Cash Settlement Participants on, or prior to, the Auction Date (the "**Mid-Price Setting Transaction**"). For the avoidance of doubt, no Discounting Risk Swaps or Net Auction Contract Pairs in relation to a Maturity Bucket shall be auctioned, liquidated or sold pursuant to this process and no SwapClear Contract or FCM SwapClear Contract shall be registered as a direct result of any prices submitted by a Cash Settlement Participant pursuant to this Section 3.
- (b) Each SwapClear Clearing Member that is an Expected Cash Settlement Participant agrees that it shall use all reasonable efforts to submit pricing in accordance with this Cash Settlement Schedule for the Mid-Price Setting Transaction in each Maturity Bucket.
- (c) Solely for the purposes of determining the Mid-Price in relation to a Maturity Bucket the Clearing House shall take the following steps separately in relation to all bids and offers submitted for the Mid-Price Setting Transaction for that Maturity Bucket:
  - (i) first, it shall order the bid prices in descending order (i.e. starting with the highest bid) and order the offer prices in ascending order (i.e. starting with the lowest offer);
  - (ii) second, it shall remove any crossing bids and offers (i.e. if any ranked, ordered, individual bid price exceeds any ranked, ordered, individual offer price (a "**Crossed Bid**" and a "**Crossed Offer**," respectively) both such bid and offer prices shall be removed);
  - (iii) third, it shall determine the top quartile of the bid prices and the top quartile of the offer prices (rounding up to determine a quarter) and remove the remaining bid and offer prices;
  - (iv) fourth, it shall calculate the average of the remaining bid prices and the average of the remaining offer prices; and

- (v) fifth, it shall sum the averages determined under step (iv) and divide the result by two, and the result shall be the "**Mid-Price**" for that Maturity Bucket.

If the process referred to immediately above fails to provide the Mid-Price for the relevant Maturity Bucket, the Clearing House shall determine the Mid-Price for that Maturity Bucket using its customary methodology and applying it to observable market data points and applying linear interpolation where the Clearing House considers appropriate, and this shall be the "Mid-Price" for that Maturity Bucket. For the avoidance of doubt, the above steps shall not apply to determine the identity of the Auction Winner in relation to a Maturity Bucket and shall only be applicable to determine the Mid-Price in relation to that Maturity Bucket

- (d) Once the above steps have been completed, the Clearing House shall construct a SOFR curve by (i) in relation to tenors for which there is a corresponding Maturity Bucket, adding each Mid-Price calculated with respect to that Maturity Bucket in accordance with the foregoing methodology to the corresponding tenor on the Clearing House's zero coupon yield curve for the Fed Funds Rate as of the Auction Date, and (ii) in relation to tenors for which there is not a corresponding Maturity Bucket (or for which the process referred to in this Section 3 fails to provide the Mid-Price), using observable market data points and applying linear interpolation where the Clearing House considers appropriate.
- (e) On the Auction Date the Clearing House shall notify each Cash Settlement Participant that has submitted a Crossed Bid or Crossed Offer. A Cash Settlement Participant that has submitted a Crossed Bid shall be obliged to enter into a Mid-Price Setting Transaction with another Cash Settlement Participant that has submitted a Crossed Offer and a Cash Settlement Participant that has submitted a Crossed Offer shall be obliged to enter into a Mid-Price Setting Transaction with another Cash Settlement Participant that has submitted a Crossed Bid (each, a "**Crossed Mid-Price Setting Transaction**"), in each case no later than close of business in New York on the Auction Date. The Clearing House shall determine the spread in relation to each Crossed Mid-Price Setting Transaction by taking the average of all of the Crossed Bids and Crossed Offers. The process for determining the parties to each Crossed Mid-Price Setting Transaction and the spread in relation to each Crossed Mid-Price Setting Transaction shall be further defined in the Cash Settlement Supplement. Upon the Clearing House's request, each Cash Settlement Participant that is required to enter into a Crossed Mid-Price Setting Transaction pursuant to this paragraph (e) shall provide evidence that it has entered into such Crossed Mid-Price Setting Transaction (and such evidence may include the Cash Settlement Participant identifying a transaction cleared with the Clearing House that corresponds to such Crossed Mid-Price Setting Transaction).

## 5. FURTHER POWERS AND INFORMATION

- (a) In the event that no prices are received in relation to a Discounting Risk Auction for a Maturity Bucket by the end of the relevant bidding window identified in the Cash Settlement Supplement, or the Clearing House otherwise determines, in its sole and absolute discretion, that it would be appropriate to do so, the Clearing House may:
  - (i) hold one or more further auctions on the Auction Date or subsequent days;



- (ii) split the portfolio of Net Auction Contract Pairs into different groups or notional amounts; and/or
  - (iii) take any other steps that it considers appropriate in order to obtain bids or offers in relation to the Net Auction Contract Pairs in such Maturity Bucket,
- (b) and it shall make any consequential adjustments to the terms of the Rate Change Notice(s) relating to SOFR as it considers appropriate, and the terms of this Annex (including the "**Auction Date**") shall be construed accordingly.
- (c) If, having taken the steps above in connection with a Discounting Risk Auction, where applicable, no prices are received in relation to one or more of the Maturity Buckets then the Clearing House will determine that no further auctions shall take place with respect to the relevant Maturity Bucket(s) and all Cash Only Clients shall have Discounting Risk Swaps for such relevant Maturity Bucket(s) registered in the relevant Individual Segregated Account, "position account" within an Omnibus Segregated Account or FCM Client Sub-Accounts (as applicable) notwithstanding any Cash Only Election Notices previously delivered in respect of such SwapClear Clearing Clients or FCM Clients.
- (d) If, in relation to a Maturity Bucket, the Clearing House is unable to auction and liquidate the full notional amount of the Discounting Risk Swaps that are the subject of the auction for that Maturity Bucket (including, without limitation, because the aggregate notional amount for which bids are received in relation to that Maturity Bucket is less than the entire notional amount of such Discounting Risk Swaps) (the **Non-Auctioned Swaps**), the Clearing House shall, notwithstanding any Cash Only Election Notices previously delivered, allocate the Non-Auctioned Swaps to each Cash Only Client Position Account, with each Cash Only Client Position Account being allocated a share of the Non-Auctioned Swaps pro rata to that Cash Only Client Position Account's share of the total notional amount of Discounting Risk Swaps for that Maturity Bucket that would, but for the delivery of the Cash Only Election Notices, have been registered in each of the Cash Only Client Position Accounts.

## 6. LIMITATION OF LIABILITY

6.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with the Cash Settlement Schedule; or
- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, the Cash Settlement Schedule;

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

6.2 Without prejudice to the generality of Regulation 52 and clause 5.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under the Cash Settlement Schedule, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

6.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under the Cash Settlement Schedule, save for the express contractual duties set forth in the Cash Settlement Schedule; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with the Cash Settlement Schedule; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with the Cash Settlement Schedule or any SwapClear Contract registered as a result of the matters specified in the Cash Settlement Schedule; (iv) shall be under any requirement to consult with, or individually notify, a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under the Cash Settlement Schedule; or (v) has made any representation, express or implied, in relation to the Cash Settlement Schedule, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to the Cash Settlement Schedule.

6.4 For the avoidance of doubt, notwithstanding anything herein, in the applicable Rate Change Annex for SOFR or Cash Settlement Supplement, neither the Clearing House

nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

## **SWAPCLEAR SCM SERVICE - RATE CHANGE ANNEX – EURO SHORT TERM RATE (€STR)**

### **1. SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Rate Change Annex” as defined in the Regulations and supplements and forms part of the Rulebook.
- (b) This Annex relates to the change in the rate from the Euro OverNight Index Average (**EONIA**) to the Euro Short Term Rate (**€STR**) for the purposes of (i) calculating PAI, (ii) calculating the Price Alignment Amount, and (iii) constituting the relevant underlying benchmark for the instruments used to construct the Clearing House’s zero coupon yield curves under 1.7.2 of Section 2C of the Procedures to calculate the net present value, each in relation to Impacted SwapClear Contracts.
- (c) The terms of this Annex shall apply to all Impacted SwapClear Contracts of the type set-out in the Rate Change Notice relating to €STR as set out below. For the avoidance of doubt, (i) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and each SwapClear Contract shall remain in full force and effect, and (ii) the SwapClear Contract Terms shall not be amended by the terms of this Annex.
- (d) Capitalized terms used but not otherwise defined in this Annex have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (e) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

### **2. DEFINITIONS**

For the purposes of this Annex:

**Cash Compensation Amount** means, in relation to the Impacted SwapClear Contracts in a Proprietary Account, an Individual Segregated Account, or a "position account" within an Omnibus Segregated Account, the amount determined in accordance with Section 4 below.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 4 below.

**EONIA Discounted Value** means, in relation to an Impacted SwapClear Contract, the net present value, as of the end of the "business day" in New York on the €STR Calculation Date, of all future cash flows under that Impacted SwapClear Contract calculated using EONIA as the discounting rate for the purpose of constructing the zero coupon yield curves under 1.7.2 of Section 2C of the Procedures (with the future cash flows calculated in the same manner as for the determination of the €STR Discounted Value). If the net present value represents an asset or positive value for the Clearing House, such EONIA Discounted Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such EONIA Discounted Value shall be a negative amount.

**€STR Calculation Date** means in relation to a Rate Change Notice relating to €STR the date specified as such by the Clearing House and specified in the Rate Change Notice relating to €STR, being the date on which the Clearing House shall calculate the amounts and values specified in Section 4 below.

**€STR Discounted Value** means, in relation to an Impacted SwapClear Contract, the net present value as of the end of the "business day" in New York on the €STR Calculation Date of all future cash flows under that Impacted SwapClear Contract calculated using €STR as the discounting rate for the purpose of constructing the zero coupon yield curves under 1.7.2 of Section 2C of the Procedures (with the future cash flows calculated in the same manner as for the determination of the EONIA Discounted Value). If the net present value represents an asset or positive value for the Clearing House, such €STR Discounted Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such €STR Discounted Value shall be a negative amount.

### **3. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

Pursuant to Regulation 60B of the Regulations, this Annex sets out the method for (i) calculating the Cash Compensation Amounts (which are "Rate Change Payments" for purposes of Regulation 60B), and (ii) determining the terms of the Cash Compensation Contracts which shall be registered in order to effect the payment of the Cash Compensation Amounts. .

### **4. DETERMINATION OF THE CASH COMPENSATION AMOUNT AND THE CASH COMPENSATION CONTRACTS FOLLOWING THE CHANGE TO €STR**

- (a) Immediately following the €STR Calculation Date the Clearing House shall calculate:
- (i) the aggregate EONIA Discounted Value and the aggregate €STR Discounted Value in relation to all Impacted SwapClear Contracts registered in each Proprietary Account as of the end of the "business day" in New York on the €STR Calculation Date;
  - (ii) the aggregate EONIA Discounted Value and the aggregate €STR Discounted Value in relation to all Impacted SwapClear Contracts registered in each Individual Segregated Account as of the end of the "business day" in New York on the €STR Calculation Date; and
  - (iii) the aggregate EONIA Discounted Value and the aggregate €STR Discounted Value in relation to all Impacted SwapClear Contracts registered in each "position account" within each Omnibus Segregated Account as of the end of the "business day" in New York on the €STR Calculation Date.
- (b) The Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the Impacted SwapClear Contracts in each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:

- (i) the aggregate €STR Discounted Value in relation to all such Impacted SwapClear Contracts exceeds the aggregate EONIA Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Compensation Amount in relation to such Impacted SwapClear Contracts shall be equal to the absolute value of the difference, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate €STR Discounted Value in relation to all such Impacted SwapClear Contracts is less than the aggregate EONIA Discounted Value in relation to all such Impacted SwapClear Contracts then the Cash Compensation Amount in relation to such Impacted SwapClear Contracts shall be equal to the absolute value of the difference, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (c) The Clearing House shall, pursuant to Regulation 60B, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to the Cash Compensation Amount (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay the Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of EUR1, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the €STR Calculation Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other an amount equal to the Cash Compensation Amount related to the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to Section 4(b) above, with a positive Cash Compensation Amount representing an amount payable by the Clearing House to the SwapClear Clearing Member and a negative Cash Compensation Amount representing an amount payable to the Clearing House by the SwapClear Clearing Member. However, Neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.
- (d) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 4, which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the Impacted SwapClear Contracts.
- (e) Each SwapClear Clearing Member agrees (and in the case of (e)(iv) below, each SwapClear Clearing Member and the Clearing House agrees):

- (i) to use reasonable endeavors to provide each of its SwapClear Clearing Clients with (i) information on the change in the rate from EONIA to €STR pursuant to the terms of Regulation 60B and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be allocated to that SwapClear Clearing Client's Individual Segregated Account, or "position account" within such Omnibus Segregated Account pursuant to the terms of this Annex, and (iii) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account. Such information shall include the terms of this Annex and any information which it has received from, or is made available by, the Clearing House in connection with this Annex;
- (ii) that it, and each of SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);
- (iii) to perform all obligations and exercise all rights under this Annex in accordance with Applicable Law; and
- (iv) that each Cash Compensation Contract is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value impact of the change from EONIA to €STR.

## **5. DETERMINATIONS BINDING**

Subject to Section 8, all determinations and calculations made by the Clearing House pursuant to this Annex shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **6. RECORDS**

The Clearing House shall update its books and records to reflect the Cash Compensation Contracts and the amounts payable thereunder and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements.

## **7. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 8.
- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Procedures to change the rate used for the purposes of (i) calculating PAI, (ii) calculating the Price Alignment Amount, and (iii) constructing the Clearing House's zero coupon yield curves under 1.7.2 of Section 2C of the Procedures from time to time

and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.

- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.

## **8. LIMITATION OF LIABILITY**

- 8.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex; or
- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex;

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

- 8.2 Without prejudice to the generality of Regulation 52 and clause 8.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;



arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

- 8.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.
- 8.4 For the avoidance of doubt, notwithstanding anything to the contrary herein, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

**SCHEDULE 3**  
**SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX –**  
**EURO OVERNIGHT INDEX AVERAGE (EONIA)**

**1. SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Floating Rate Conversion Annex” as defined in and pursuant to the Regulations and supplements and forms part of the Rulebook.
- (b) The terms of this Annex shall apply to all open SwapClear Contracts that (i) specify an In-Scope Floating Rate Option as the floating rate or use an In-Scope Floating Rate Option to calculate the floating amount thereunder and (ii) are registered with the Clearing House at the end of the “business day” in New York on the Conversion Cut-Off Date (each such SwapClear Contract, an EONIA Contract). For the avoidance of doubt, (A) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and all SwapClear Contracts shall remain in full force and effect as amended pursuant to the Floating Rate Conversion Annexes, and (B) other than as expressly set out in this Annex, the SwapClear Contract Terms shall not be amended, supplemented or modified by the terms of this Annex.
- (c) Capitalised terms used but not otherwise defined herein have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (d) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

**2. DEFINITIONS**

2.1 For the purposes of this Annex:

**Amended EONIA Contract** means each EONIA Contract after giving effect to the amendments made pursuant to Section 3 of this Annex.

**Cash Compensation Amount** means, in relation to the EONIA Contracts in a Proprietary Account, an Individual Segregated Account, or a "position account" within an Omnibus Segregated Account, the amount determined in accordance with Section 5 below.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 5 below.

**Conversion Cut-Off Date** means the business day immediately prior to the Conversion Date.

**Conversion Date** means October 16, 2021, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**EONIA Contract** has the meaning given to the term in Section 1(b) hereto.

**EONIA Value** means, in relation to an EONIA Contract, the net present value, determined by the Clearing House by reference to the Clearing House's zero coupon yield curves as of the time specified in Section 1.7.2 of these Procedures on the Conversion Date, of all future cash flows under that EONIA Contract on the basis that such EONIA Contract is an Unamended EONIA Contract. If the net present value represents an asset or positive value for the Clearing House, such EONIA Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such EONIA Value shall be a negative amount.

**€STR Value** means, in relation to an EONIA Contract, the net present value, determined by the Clearing House by reference to the Clearing House's zero coupon yield curves as of the time specified in Section 1.7.2 of these Procedures on the Conversion Date, of all future cash flows under that EONIA Contract on the basis that such EONIA Contract is an Amended EONIA Contract. If the net present value represents an asset or positive value for the Clearing House, such €STR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such €STR Value shall be a negative amount.

**EUR-EONIA-OIS-COMPOUND** has the meaning given to it in the ISDA 2000 Definitions or ISDA 2006 Definitions (as applicable)

**EUR-EONIA-OIS Compound** has the meaning given to it in the ISDA 2021 Definitions.

**EUR-EuroSTR-COMPOUND** has the meaning given to it in the ISDA 2000 Definitions or ISDA 2006 Definitions (as applicable).

**EUR-EuroSTR-OIS Compound** has the meaning given to it in the ISDA 2021 Definitions.

**In-Scope Floating Rate Option** means EUR-EONIA-OIS COMPOUND or EUR-EONIA-OIS Compound.

**ISDA Definitions** means the ISDA 2000 Definitions, the ISDA 2006 Definitions and the ISDA 2021 Definitions, each as published by the International Swaps and Derivatives Association, Inc.

**Unamended EONIA Contract** means each EONIA Contract prior to giving effect to the amendments made pursuant to Section 3 below.

### 3. AMENDMENT TO EONIA CONTRACTS

#### 3.1

- (a) Pursuant to Regulation 60C of the Regulations, with effect from, and including, the Conversion Date, each EONIA Contract shall be amended so that each reference to EONIA shall instead be deemed to be a reference to the Euro Short-Term Rate (**€STR**) (without any spread) and each reference to an In-Scope Floating Rate Option shall instead be a reference to EUR-EuroSTR-COMPOUND or EUR-EuroSTR-OIS Compound (as applicable), depending on the ISDA Definitions incorporated into the relevant EONIA Contract.
- (b) No other term of any EONIA Contract shall be amended under this Annex.

**4. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

- (a) Pursuant to Regulation 60C of the Regulations, this Annex sets out the method for (i) calculating the Cash Compensation Amounts (which are “Conversion Payments” for purposes of Regulation 60C), and (ii) determining the terms of the Cash Compensation Contracts which shall be registered in order to effect the payment of the Cash Compensation Amounts.

**5. DETERMINATION OF THE CASH COMPENSATION AMOUNT AND THE CASH COMPENSATION CONTRACTS FOLLOWING THE CHANGE TO €STR**

- (a) On the Conversion Date the Clearing House shall calculate:
- (i) the aggregate EONIA Value and the aggregate €STR Value in relation to all EONIA Contracts registered in each Proprietary Account as of the end of the business day in New York on the Conversion Cut-Off Date; and
- (ii) the aggregate EONIA Value and the aggregate €STR Value in relation to EONIA Contracts registered in each Individual Segregated Account as of the end of the business day in New York on the Conversion Cut-Off Date.
- (b) The Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the EONIA Contracts in each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:
- (i) the aggregate €STR Value in relation to all such EONIA Contracts exceeds the aggregate EONIA Value in relation to all such EONIA Contracts then the Cash Compensation Amount in relation to such EONIA Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
- (ii) the aggregate €STR Value in relation to all such EONIA Contracts is less than the aggregate EONIA Value in relation to all such EONIA Contracts then the Cash Compensation Amount in relation to such EONIA Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (c) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to the Cash Compensation Amount (to the extent such

amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay the Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of EUR1, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two business days after the Conversion Cut-Off Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to Section 5(b) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.

- (d) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 5, which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the EONIA Contracts.
- (e) Each SwapClear Clearing Member agrees (and in the case of (e)(iv) below, each SwapClear Clearing Member and the Clearing House agrees):
  - (i) to use reasonable endeavors to provide each of its SwapClear Clearing Clients with (i) information on the change to the EONIA Contracts pursuant to the terms of Regulation 60C and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be allocated to that SwapClear Clearing Client's Individual Segregated Account, or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, and (iii) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account". Such information shall be set out in 'Risk Notices' or other materials from the Clearing House in connection with this Annex (or any applicable Floating Rate Conversion Notice(s)) expressly marked for distribution to SwapClear Clearing Clients;
  - (ii) that it, and each SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);
  - (iii) to perform all obligations and exercise all rights under or pursuant to this Annex in accordance with Applicable Law; and

- (iv) that each Cash Compensation Contract is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value impact of the changes to the EONIA Contracts pursuant to this Annex.

## **6. ELIGIBILITY FROM THE CONVERSION DATE**

Notwithstanding anything to the contrary in the Product Specific Contract Terms and Eligibility Criteria Manual, from and including the Conversion Date the Clearing House shall not accept for clearing or registration any SwapClear Transaction that specifies an In-Scope Floating Rate Option.

## **7. DETERMINATIONS BINDING**

Subject to Section 10, all determinations and calculations made by the Clearing House pursuant to this Annex shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **8. RECORDS**

The Clearing House shall update its books and records to reflect the Cash Compensation Contracts and the amounts payable thereunder and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements.

## **9. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 10.
- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Regulations and the Procedures to change the terms of any open SwapClear Contract from time to time and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.
- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Clearing Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.

## **10. LIMITATION OF LIABILITY**

- 10.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
  - (b) to waive any claim against the Clearing House or any member of the LCH Group; arising or that may arise in connection with:
    - (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex; or
    - (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex; except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.
- 10.2 Without prejudice to the generality of Regulation 52 and Section 10.1 above, each SwapClear Clearing Member further agrees:
- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
  - (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group; arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.
- 10.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its

discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.

For the avoidance of doubt, notwithstanding anything to the contrary herein, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.



**SCHEDULE 4**  
**SWAPCLEAR SCM SERVICE –**  
**FLOATING RATE CONVERSION ANNEX – LIBOR (OTHER THAN USD LIBOR)**

**1. SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Floating Rate Conversion Annex” as defined in and pursuant to the Regulations and supplements and forms part of the Rulebook.
- (b) The terms of this Annex shall apply to all open SwapClear Contracts that (i) specify an In-Scope Floating Rate Option as the floating rate or use an In-Scope Floating Rate Option to calculate the floating amount thereunder and (ii) are registered with the Clearing House as of the end of the “business day” in New York on the Conversion Cut-Off Date (each such SwapClear Contract, a **LIBOR Contract**). For the avoidance of doubt, (A) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and all SwapClear Contracts shall remain in full force and effect, and (B) other than as expressly set out in this Annex, the SwapClear Contract Terms shall not be amended, supplemented or modified by the terms of this Annex.
- (c) Capitalised terms used but not otherwise defined herein have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (d) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

**2. DEFINITIONS**

For the purposes of this Annex:

**Affected Forward Rate Agreement** means each open Forward Rate Agreement that has a “Reset Date” (as defined in the ISDA Definitions) which (i) in the case of a Forward Rate Agreement for which the floating rate is GBP-LIBOR-BBA or GBP-LIBOR, falls on, or after, the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to those In-Scope Floating Rate Options, or (ii) in the case of a Forward Rate Agreement for which the floating rate is an In-Scope Floating Rate Option other than GBP-LIBOR-BBA or GBP-LIBOR, falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant Forward Rate Agreement.

**Amended LIBOR Contract** means each LIBOR Contract after giving effect to the amendments made pursuant to Section 3 below and, in respect of the Affected Forward Rate Agreements, the amendments made pursuant to Section 4 below.

**Basis Swap Operational Split Date** means October 2, 2021, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Bloomberg Spread** means, in relation to an In-Scope Floating Rate Option, the spread relating to that In-Scope Floating Rate Option for a period of the Designated Maturity (as defined in

the ISDA Definitions) of that LIBOR Contract provided by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time).

**Cash Compensation Amount** means, in relation to all LIBOR Contracts that specify an In-Scope Floating Rate Option as the floating rate or use an In-Scope Floating Rate Option to calculate the floating amount thereunder in a Proprietary Account, an Individual Segregated Account, or a "position account" within an Omnibus Segregated Account, the amount determined in accordance with Section 8 below, or, in relation to Legacy LIBOR Transactions, the amount determined in accordance with Section 11 below.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 8 or Section 11 (as applicable) below.

**Conversion Cut-Off Date** means, with respect to a LIBOR Contract, the business day immediately prior to the Conversion Date applicable to such LIBOR Contract as determined in accordance with the definition of "Conversion Date" below.

**Conversion Date** means:

- (a) in relation to each LIBOR Contract (including each Affected Forward Rate Agreement) that specifies CHF-LIBOR-BBA, CHF-LIBOR, EUR-LIBOR-BBA, EUR-LIBOR, JPY-LIBOR-BBA or JPY-LIBOR as the floating rate or uses CHF-LIBOR-BBA, CHF-LIBOR, EUR-LIBOR-BBA, EUR-LIBOR, JPY-LIBOR-BBA, or JPY-LIBOR to calculate the floating amount thereunder, December 4, 2021, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate; and
- (b) in relation to each LIBOR Contract (including each Affected Forward Rate Agreement) that specifies GBP-LIBOR-BBA or GBP-LIBOR as the floating rate or uses GBP-LIBOR-BBA or GBP-LIBOR to calculate the floating amount thereunder, December 18, 2021, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**CHF-SARON-OIS-COMPOUND** has the meaning given to it in the ISDA 2006 Definitions.

**CHF-SARON-OIS Compound** has the meaning given to it in the ISDA 2021 Definitions.

**EUR-EuroSTR-COMPOUND** has the meaning given to it in the ISDA 2006 Definitions.

**EUR-EuroSTR-OIS Compound** has the meaning given to it in the ISDA 2021 Definitions.

**Fallback RFR Value** means, in relation to a LIBOR Contract, the net present value, determined by the Clearing House as of the Conversion Date, of all future cash flows under that LIBOR Contract on the basis that such LIBOR Contract is not amended pursuant to this Annex, provided however that, for purposes of determining the Fallback RFR Value of an Affected Forward Rate Agreement, the provisions of Supplement 70 to the ISDA 2006 Definitions (and the equivalent provisions under the ISDA 2021 Definitions) shall not be taken into account. If the net present value represents an asset or positive value for the Clearing House, such Fallback RFR Value shall be a positive amount and if the net present value

represents a liability or negative value for the Clearing House, such Fallback RFR Value shall be a negative amount.

**Forward Rate Agreement** means each SwapClear Contract that is recorded as a “forward rate transaction” or “forward rate agreement” in the books and records of the Clearing House and references an In-Scope Floating Rate Option.

**GBP-SONIA-COMPOUND** has the meaning given to it in the ISDA 2006 Definitions.

**GBP-SONIA-OIS Compound** has the meaning given to it in the ISDA 2021 Definitions.

**In-Scope Floating Rate Option** means:

- (a) CHF-LIBOR-BBA (as defined in the ISDA 2000 Definitions and the ISDA 2006 Definitions);
- (b) CHF-LIBOR (as defined in the ISDA 2021 Definitions);
- (c) EUR-LIBOR-BBA (as defined in the ISDA 2000 Definitions and the ISDA 2006 Definitions);
- (d) EUR-LIBOR (as defined in the ISDA 2021 Definitions);
- (e) GBP-LIBOR-BBA (as defined in the ISDA 2000 Definitions and the ISDA 2006 Definitions);
- (f) GBP-LIBOR (as defined in the ISDA 2021 Definitions);
- (g) JPY-LIBOR-BBA (as defined in the ISDA 2000 Definitions and the ISDA 2006 Definitions); and
- (h) JPY-LIBOR (as defined in the ISDA 2021 Definitions).

**ISDA Definitions** means the ISDA 2000 Definitions, the ISDA 2006 Definitions and the ISDA 2021 Definitions, each as published by the International Swaps and Derivatives Association, Inc. For the avoidance of doubt unless otherwise provided herein, references to the ISDA 2006 Definitions shall mean the ISDA 2006 Definitions including Supplement 70 thereto.

**JPY-TONA-OIS-COMPOUND** has the meaning given to it in the ISDA 2006 Definitions.

**JPY-TONA-OIS Compound** has the meaning given to it in the ISDA 2021 Definitions.

**Legacy LIBOR Cut-Off Date** means September 21, 2021.

**Legacy LIBOR End Date** means December 31, 2024, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Legacy LIBOR Transaction** means a SwapClear Transaction (other than a “forward rate agreement” or “forward rate transaction”) that meets the following conditions:

- (a) it is eligible under the Product Specific Contract Terms and Eligibility Criteria Manual in effect from time to time;

- (b) it specifies an In-Scope Floating Rate Option other than EUR-LIBOR-BBA (as defined in the ISDA 2000 Definitions and the ISDA 2006 Definitions) or EUR-LIBOR (as defined in the ISDA 2021 Definitions) as the floating rate or uses an In-Scope Floating Rate Option other than EUR-LIBOR-BBA (as defined in the ISDA 2000 Definitions and the ISDA 2006 Definitions) or EUR-LIBOR (as defined in the ISDA 2021 Definitions) to calculate the floating amount thereunder;
- (c) it is presented to the Clearing House after the Conversion Date applicable to the In-Scope Floating Rate Option specified in the terms of that SwapClear Transaction; and
- (d) if it is presented to the Clearing House after December 31, 2021 either (i) in the case of SwapClear Transactions other than those referred to in (ii) below, the SwapClear Transaction was entered into prior to the Legacy LIBOR Cut-Off Date, or (ii) in the case of a SwapClear Transaction resulting from the exercise of a physically settled swaption, that swaption was entered into prior to the Legacy LIBOR Cut-Off Date.

**LIBOR Basis Swap** means each SwapClear Contract that is recorded as a “basis swap” in the books and records of the Clearing House and references an In-Scope Floating Rate Option.

**Operational Straddle Period LIBOR Booking** means an Operational Outright LIBOR Booking that reflects an In-Scope Floating Rate Option as the floating rate or uses an In-Scope Floating Rate Option to calculate the floating amount and which has a “Reset Date” (as defined in the ISDA Definitions) which:

- (a) in the case of GBP-LIBOR-BBA or GBP-LIBOR, falls on, or prior to, the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option; or
- (b) in the case of all other In-Scope Floating Rate Options, falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option.

**Relevant Number of Business Days** means:

- (a) in relation to CHF-LIBOR-BBA or CHF-LIBOR, two London Banking Days (as defined in the ISDA Definitions);
- (b) in relation to EUR-LIBOR-BBA or EUR-LIBOR, two TARGET Settlement Days (as defined in the ISDA Definitions); and
- (c) in relation to JPY-LIBOR-BBA or JPY-LIBOR, two London Banking Days (as defined in the ISDA Definitions).

**RFR Value** means, in relation to a LIBOR Contract, the net present value, determined by the Clearing House as of the Conversion Date, of all future cash flows under that LIBOR Contract on the basis that such LIBOR Contract is an Amended LIBOR Contract. If the net present value represents an asset or positive value for the Clearing House, such RFR Value shall be a positive

amount and if the net present value represents a liability or negative value for the Clearing House, such RFR Value shall be a negative amount.

**Straddle Period LIBOR Contract** means a LIBOR Contract that specifies an In-Scope Floating Rate Option as the floating rate or uses an In-Scope Floating Rate Option to calculate the floating amount thereunder and which has a “Reset Date” (as defined in the ISDA Definitions) which:

(i) in the case of GBP-LIBOR-BBA or GBP-LIBOR, falls on, or prior to, the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option; or

(ii) in the case of all other In-Scope Floating Rate Options, falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option.

### 3. AMENDMENTS TO LIBOR CONTRACTS

(a) Pursuant to Regulation 60C of the Regulations, with effect from, and including, the Conversion Date each LIBOR Contract other than any Affected Forward Rate Agreement shall be amended in accordance with this Section 3.

*Floating Rate Option:*

(b) If:

(i) the LIBOR Contract references CHF-LIBOR-BBA or CHF-LIBOR (each a **CHF LIBOR Contract**), then, from and including the first Reset Date falling after the Relevant Number of Business Days from the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to CHF-LIBOR-BBA or CHF-LIBOR in the SwapClear Contract Terms shall be deemed to be replaced for all purposes with CHF-SARON-OIS-COMPOUND or CHF-SARON-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract;

(ii) the LIBOR Contract references GBP-LIBOR-BBA or GBP-LIBOR (each a **GBP LIBOR Contract**), then, from and including the first Reset Date falling after the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms in so far as they relate to such In-Scope Floating Rate Options, including for the avoidance of doubt, any fallbacks in the ISDA Definitions, any references to GBP-LIBOR-BBA or GBP-LIBOR in the SwapClear Contract Terms shall be replaced for all purposes with GBP-SONIA-COMPOUND or GBP-SONIA-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract);

- (iii) the LIBOR Contract references EUR-LIBOR-BBA or EUR-LIBOR (each a **EUR LIBOR Contract**) then, from and including the first Reset Date falling after the Relevant Number of Business Days from the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to EUR-LIBOR-BBA or EUR-LIBOR shall be replaced for all purposes with EUR-EuroSTR-COMPOUND or EUR-EuroSTR-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract; and
- (iv) the LIBOR Contract references JPY-LIBOR-BBA or JPY-LIBOR (each a **JPY LIBOR Contract**), then, from and including the first Reset Date falling after the Relevant Number of Business Days from the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to JPY-LIBOR-BBA or JPY-LIBOR shall be replaced for all purposes with JPY-TONA-OIS-COMPOUND or JPY-TONA-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract.

*Bloomberg Spread:*

- (c) From and including the first Reset Date which (i) in the case of GBP-LIBOR-BBA or GBP-LIBOR, falls on, or after, the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to those In-Scope Floating Rate Options, or (ii) in the case of all other In-Scope Floating Rate Options, falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant LIBOR Contract, the "Floating Rate" under each LIBOR Contract that specifies that In-Scope Floating Rate Option as the floating rate or uses that In-Scope Floating Rate Option to calculate the floating amount thereunder will, in addition to any "Spread" (as defined in the ISDA Definitions) already existing under the terms of the LIBOR Contract, include the Bloomberg Spread applicable to that In-Scope Floating Rate Option, *provided however that*, for such purpose the Bloomberg Spread in relation to JPY-LIBOR-BBA or JPY-LIBOR (as applicable) shall be multiplied by 365 divided by 360.

*Payment Date Delay:*

- (d)
  - (i) in respect of any CHF LIBOR Contract and JPY LIBOR Contract, in each case, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Applicable" in relation to that LIBOR Contract and the number of days specified for such purposes shall be two (2) Zurich Business Days in relation to each CHF LIBOR Contract and two (2) Tokyo Business Days in relation to each JPY LIBOR Contract. The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall

two (2) Zurich or Tokyo Business Days (as applicable) after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable;

- (ii) in respect of any EUR LIBOR Contract, “Delayed Payment” (as defined in the ISDA Definitions) shall be “Applicable” in relation to that LIBOR Contract and the number of days specified for such purposes shall be one (1) TARGET Settlement Day (as defined in the ISDA Definitions). The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall one (1) Business Day after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable; and
- (iii) in respect of any GBP LIBOR Contract, “Delayed Payment” (as defined in the ISDA Definitions) shall be “Not Applicable” in relation to that LIBOR Contract. The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall on the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable.

*No Observation Period Shift:*

- (e) For the avoidance of doubt, the Clearing House and the SwapClear Clearing Members acknowledge and agree that as a result of the amendment made in paragraph (b) above, each "Floating Rate" under each LIBOR Contract shall be calculated over the relevant "Calculation Period" without any shift, adjustment or "observation shift" and all of the provisions relating thereto in the ISDA Definitions and the IBOR Fallback Rate Adjustments Rule Book published by Bloomberg Index Services Limited shall not apply to the calculation of the "Floating Rate" under each LIBOR Contract.

*Consequential Amendments:*

- (f) The Clearing House shall make any consequential amendments to the terms of each LIBOR Contract as it deems necessary in connection with, and to give effect to, the amendments in this Section 3.
- (g) Unless expressly referenced herein, all other terms of each LIBOR Contract shall remain in full force and effect and shall continue to apply, including, but not limited to, the “Fixed Rate”, “Day Count Fraction” “Business Days” and any “Spread” (each as defined in the ISDA Definitions).

#### **4. AMENDMENTS TO FORWARD RATE AGREEMENTS**

- (a) Pursuant to Regulation 60C of the Regulations, with effect from, and including, the relevant Conversion Date each Affected Forward Rate Agreement shall be amended so that from, and including, the relevant Conversion Date:

*Payment Date:*

- (i) the “Payment Date” under such Affected Forward Rate Agreement shall be amended so that the “Payment Date” is the “Termination Date” (each as defined in the ISDA Definitions);

*Discounting:*

- (ii) “Discounting” (as defined in the ISDA Definitions) shall be “Not Applicable” and the “Discount Rate” (as defined in the ISDA Definitions) shall be deleted in its entirety;

*Floating Rate Option:*

- (iii) if:
  - (A) the Affected Forward Rate Agreement (as amended by (i) and (ii) above) is a CHF LIBOR Contract, then, from and including the first Reset Date falling after the Relevant Number of Business Days from the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to CHF-LIBOR-BBA or CHF-LIBOR in the SwapClear Contract Terms shall be deemed to be replaced for all purposes with CHF-SARON-OIS-COMPOUND or CHF-SARON-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract;
  - (B) the Affected Forward Rate Agreement (as amended by (i) and (ii) above) is a GBP LIBOR Contract, then, from and including the first Reset Date falling after the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms in so far as they relate to such In-Scope Floating Rate Options, including for the avoidance of doubt, any fallbacks in the ISDA Definitions, any references to GBP-LIBOR-BBA or GBP-LIBOR in the SwapClear Contract Terms shall be replaced for all purposes with GBP-SONIA-COMPOUND or GBP-SONIA-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract);
  - (C) the Affected Forward Rate Agreement (as amended by (i) and (ii) above) is a EUR LIBOR Contract then, from and including the first Reset Date falling after the Relevant Number of Business Days from the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to EUR-LIBOR-BBA or EUR-LIBOR shall be replaced for all purposes with EUR-EuroSTR-COMPOUND or EUR-EuroSTR-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract; and



- (D) the Affected Forward Rate Agreement (as amended by (i) and (ii) above) is a JPY LIBOR Contract then, from and including the first Reset Date falling after the Relevant Number of Business Days from the Index Cessation Effective Date in relation to such In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to JPY-LIBOR-BBA or JPY-LIBOR shall be replaced for all purposes with JPY-TONA-OIS-COMPOUND or JPY-TONA-OIS Compound depending on the ISDA Definitions incorporated into the relevant LIBOR Contract;

*Bloomberg Spread:*

- (iv) from and including the first Reset Date which (i) in the case of GBP-LIBOR-BBA or GBP-LIBOR, falls on, or after, the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to those In-Scope Floating Rate Options, or (ii) in the case of all other In-Scope Floating Rate Options, falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant LIBOR Contract, the "Floating Rate" under each LIBOR Contract that specifies that In-Scope Floating Rate Option as the floating rate or uses that In-Scope Floating Rate Option to calculate the floating amount thereunder will include the Bloomberg Spread applicable to that In-Scope Floating Rate Option, *provided however that*, for such purpose the Bloomberg Spread in relation to JPY-LIBOR-BBA or JPY-LIBOR (as applicable) shall be multiplied by 365 divided by 360;

*Payment Date Delay:*

- (v) in respect of any CHF LIBOR Contract and JPY LIBOR Contract, in each case, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Applicable" in relation to that LIBOR Contract and the number of days specified for such purposes shall be two (2) Business Days. The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall two (2) Business Days after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable;
- (vi) in respect of any EUR LIBOR Contract, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Applicable" in relation to that LIBOR Contract and the number of days specified for such purposes shall be one (1) Business Day. The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall one (1) Business Day after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable; and
- (vii) in respect of any GBP LIBOR Contract, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Not Applicable" in relation to that LIBOR

Contract. The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall on the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable.

*No Observation Period Shift:*

- (b) For the avoidance of doubt, the Clearing House and the SwapClear Clearing Members acknowledge and agree that as a result of the amendment made in paragraph (a)(iii) above, each "Floating Rate" under each LIBOR Contract shall be calculated over the relevant "Calculation Period" without any shift, adjustment or "observation shift" and all of the provisions relating thereto in the ISDA Definitions and the IBOR Fallback Rate Adjustments Rule Book published by Bloomberg Index Services Limited shall not apply to the calculation of the "Floating Rate" under each LIBOR Contract.

*Consequential Amendments:*

- (c) The Clearing House shall make any consequential amendments to the terms of each LIBOR Contract as it deems necessary in connection with, and to give effect to, the amendments in this Section 4.
- (d) Unless expressly referenced herein, all other terms of each LIBOR Contract shall remain in full force and effect and shall continue to apply, including, but not limited to, the "Fixed Rate", "Day Count Fraction" and "Business Days" (each as defined in the ISDA Definitions).

## 5. OPERATIONAL BOOKINGS

- (a) In order to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex in the SwapClear service, the Clearing House shall record certain bookings in the SwapClear service (each an **Operational Booking**) in the manner described in this Section 5. Any bookings referred to in this Section 5 are solely to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex and the Clearing House and each SwapClear Clearing Member agree and acknowledge that they shall not result in the registration of any new SwapClear Contracts and shall have no legal effect and are for operational purposes only.

*Basis Swap Operational Splitting*

- (b) On the Basis Swap Operational Split Date, the Clearing House will terminate each booking in relation to each LIBOR Basis Swap and will record two Operational Bookings in respect of each LIBOR Basis Swap (each an **Operational Outright LIBOR Booking**), which will have terms which are each identical to the LIBOR Basis Swap to which they relate, except that:
  - (i) the first Operational Outright LIBOR Booking shall have a "Floating Rate" (as defined in the ISDA Definitions) equal to the first "Floating Rate" referenced in that LIBOR Basis Swap, a "Fixed Rate" (as defined in the ISDA Definitions) determined by the Clearing House (the **Split Fixed Rate**), and the "Floating

Rate Payer" or "Floating Amount Payer" (as defined in the ISDA Definitions) shall be the same as the "Floating Rate Payer" or "Floating Amount Payer" in relation to the first "Floating Rate" under the corresponding LIBOR Basis Swap; and

- (ii) the second Operational Outright LIBOR Booking shall have a "Floating Rate" (as defined in the ISDA Definitions) equal to the second "Floating Rate" referenced in that LIBOR Basis Swap, a "Fixed Rate" (as defined in the ISDA Definitions) equal to the Split Fixed Rate, and the "Floating Rate Payer" or "Floating Amount Payer" (as defined in the ISDA Definitions) shall be the same as the "Floating Rate Payer" or "Floating Amount Payer" in relation to the second "Floating Rate" under the corresponding LIBOR Basis Swap.
- (c) The Clearing House shall determine the Split Fixed Rate in its sole and absolute discretion and shall make any consequential amendments to each Operational Outright LIBOR Booking that it deems necessary in connection with, and to give effect to, the foregoing.
- (d) On the Conversion Date in relation to an In-Scope Floating Rate Option the Clearing House will terminate each Operational Outright LIBOR Booking that has a "Floating Amount" calculated using that In-Scope Floating Rate Option and shall record an Operational Booking in accordance with (e) below.

#### *Main Operational Booking*

- (e) On the Conversion Date in relation to an In-Scope Floating Rate Option the Clearing House shall, in relation to each LIBOR Contract and each Operational Outright LIBOR Booking referencing that In-Scope Floating Rate Option, record an Operational Booking (each an **Operational RFR Booking**) that is on the same terms as the LIBOR Contract or Operational Outright LIBOR Booking (as applicable) to which it relates except that, from the "Effective Date" of the Operational RFR Booking (which shall be prior to the Conversion Date) any "Floating Amounts" reflected in the Operational RFR Booking shall be calculated after giving effect to the amendments made pursuant to Section 3 or Section 4 (as applicable) of this Annex. On the Conversion Date in relation to an In-Scope Floating Rate Option the Clearing House shall, in relation to each LIBOR Contract referencing that In-Scope Floating Rate Option, terminate the operational booking relating to that LIBOR Contract that was recorded in the SwapClear service immediately prior to the Conversion Date.

#### *Operational Overlay Bookings*

- (f) In addition to the Operational RFR Bookings referred to in (e) above, with respect to each Straddle Period LIBOR Contract and Operational Straddle Period LIBOR Booking in relation to which the SwapClear Clearing Member would receive a "Floating Amount" calculated using an In-Scope Floating Rate Option under the Straddle Period LIBOR Contract or Operational Straddle Period LIBOR Booking (such amount, the **LIBOR Amount**), on the Conversion Date in relation to the relevant In-Scope Floating Rate Option the Clearing House shall record the following Operational Bookings (each an **Operational Overlay Booking**) in the SwapClear service:

- (i) in relation to a Straddle Period LIBOR Contract or any Operational Straddle Period LIBOR Booking that is not of the type specified in (ii) below:
  - (A) an Operational Overlay Booking reflecting (X) a fixed amount that would be payable by the SwapClear Clearing Member, such amount determined by the Clearing House in its sole and absolute discretion (the **Overlay Fixed Amount**) and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the LIBOR Amount it would be entitled to receive under the Straddle Period LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period LIBOR Booking); and
  - (B) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be entitled to receive as reflected under the related Operational RFR Booking,
- (ii) in relation to a Straddle Period LIBOR Contract that is recorded in a Proprietary Account (or any Operational Straddle Period LIBOR Booking that would be recorded in a Proprietary Account) and is either:
  - (A) a JPY LIBOR Contract or a GBP LIBOR Contract in each case with a fixed notional amount and no “Spread” (as defined under the ISDA Definitions) on the floating leg, an Operational Overlay Booking reflecting (X) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” it would be entitled to receive as reflected under the Operational RFR Booking and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the LIBOR Amount it would be entitled to receive under the Straddle Period LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period LIBOR Booking); or
  - (B) a GBP LIBOR Contract with a fixed notional amount and a non-zero “Spread” (as defined under the ISDA Definitions) on the floating leg, an Operational Overlay Booking reflecting (X) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” it would be entitled to receive as reflected under the Operational RFR Booking if the “Spread” applicable to that Operational RFR Booking were equal to zero and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the LIBOR Amount it would be entitled to receive under the Straddle Period LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period LIBOR Booking).
- (g) In addition to the Operational RFR Bookings referred to in (e) above, with respect to each Straddle Period LIBOR Contract and Operational Straddle Period LIBOR Booking in relation to which the SwapClear Clearing Member would pay the LIBOR

Amount, on the Conversion Date in relation to the relevant In-Scope Floating Rate Option the Clearing House shall record the following Operational Overlay Bookings in the SwapClear service:

- (i) in relation to a Straddle Period LIBOR Contract or any Operational Straddle Period LIBOR Booking that is not of the type specified in (ii) below:
  - (A) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) an amount that would be payable by the SwapClear Clearing Member equal to the LIBOR Amount it would be obliged to pay under the Straddle Period LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period LIBOR Booking); and
  - (B) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable by the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable to the SwapClear Clearing Member equal to the “Floating Amount” that would be payable by the SwapClear Clearing as reflected under the related Operational RFR Booking,
- (ii) in relation to a Straddle Period LIBOR Contract that is recorded in a Proprietary Account (or any Operational Straddle Period LIBOR Booking that would be recorded in a Proprietary Account) and is either:
  - (A) a JPY LIBOR Contract or a GBP LIBOR Contract in each case with a fixed notional amount and no “Spread” (as defined under the ISDA Definitions) on the floating leg, an Operational Overlay Booking reflecting (X) an amount payable by the SwapClear Clearing Member equal to the LIBOR Amount the SwapClear Clearing Member would be obliged to pay under the Straddle Period LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period LIBOR Booking) and (Y) a “Floating Amount” payable to the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be obliged to pay as reflected under the related Operational RFR Booking; or
  - (B) a GBP LIBOR Contract with a fixed notional amount and a non-zero “Spread” (as defined under the ISDA Definitions) on the floating leg, an Operational Overlay Booking reflecting (X) an amount payable by the SwapClear Clearing Member equal to the LIBOR Amount the SwapClear Clearing Member would be obliged to pay under the Straddle Period LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period LIBOR Booking) and (Y) a “Floating Amount” payable to the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be obliged to pay as reflected under the related Operational RFR Booking if the “Spread” applicable to that Operational RFR Booking were equal to zero.

- (h) The Operational Overlay Bookings in relation to a Straddle Period LIBOR Contract and Operational Straddle Period LIBOR Booking will terminate as of the time when they are no longer required for the Clearing House's operational purposes, which is expected to be on the first Period End Date (as defined in the ISDA Definitions) after the Index Cessation Effective Date.

## **6. SUBSEQUENT ACTIONS WITH RESPECT TO OPERATIONAL BOOKINGS**

If the Clearing House receives an instruction from a SwapClear Clearing Member to take a permitted action with respect to some but not all of the rights and obligations under any Amended LIBOR Contract (including, but not limited to, compression) and such rights and obligations have been operationally reflected in one or more of the Operational Bookings booked in accordance with Section 5 and not terminated, then the Clearing House shall deem this to be an instruction to take the following steps contingent on the effectiveness or occurrence of the permitted action:

- (i) pursuant to its powers under Regulation 60C, register one or more new SwapClear Contract(s) in the name of that SwapClear Clearing Member with the same terms as such Operational Booking(s); and
- (ii) amend the Amended LIBOR Contract to reflect the rights and obligations remaining after giving effect to the instruction referred to above.

## **7. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

Pursuant to Regulation 60C of the Regulations, this Annex sets out the method for (i) calculating the Cash Compensation Amounts (which are "Conversion Payments" for purposes of Regulation 60C), and (ii) determining the terms of the Cash Compensation Contracts which shall be registered in order to effect the payment of the Cash Compensation Amounts.

## **8. DETERMINATION OF THE CASH COMPENSATION AMOUNT AND THE CASH COMPENSATION CONTRACTS FOLLOWING THE CONVERSION**

- (a) On the Conversion Date in relation to an In-Scope Floating Rate Option the Clearing House shall calculate the following amounts:
- (i) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all LIBOR Contracts that have a floating rate or floating amount calculated using that In-Scope Floating Rate Option registered in each Proprietary Account as of the end of the business day in New York on the Conversion Cut-Off Date;
  - (ii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all LIBOR Contracts that have a floating rate or floating amount calculated using that In-Scope Floating Rate Option registered in each Individual Segregated Account as of the end of the business day in New York on the Conversion Cut-Off Date; and
  - (iii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all LIBOR Contracts that have a floating rate or floating amount calculated using that In-Scope Floating Rate Option registered in each "position account"

within each Omnibus Segregated Account as of the end of the business day in New York on the Conversion Cut-Off Date.

- (b) The Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the LIBOR Contracts referencing an In-Scope Floating Rate Option in each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:
- (i) the aggregate RFR Value in relation to all such LIBOR Contracts exceeds the aggregate Fallback RFR Value in relation to all such LIBOR Contracts then the Cash Compensation Amount in relation to such LIBOR Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate RFR Value in relation to all such LIBOR Contracts is less than the aggregate Fallback RFR Value in relation to all such LIBOR Contracts then the Cash Compensation Amount in relation to such LIBOR Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (c) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each Cash Compensation Amount (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay each Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of 1 unit of the relevant currency of the LIBOR Contracts to which it relates, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the Conversion Cut-Off Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the LIBOR Contracts referencing an In-Scope Floating Rate Option in the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to Section 8(b) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.
- (d) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 8, which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing

Member that has arisen by reason of the application of the Regulations to the LIBOR Contracts.

- (e) Each SwapClear Clearing Member agrees (and in the case of (e)(iv) below, each SwapClear Clearing Member and the Clearing House agrees):
- (i) to use reasonable endeavors to provide each of its SwapClear Clearing Clients with (i) information on the change to the LIBOR Contracts pursuant to the terms of Regulation 60C and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be allocated to that SwapClear Clearing Client's Individual Segregated Account, or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, and (iii) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account". Such information shall be set out in 'Risk Notices' or other materials from the Clearing House in connection with this Annex (or any applicable Floating Rate Conversion Notice(s)) expressly marked for distribution to SwapClear Clearing Clients;
  - (ii) that it, and each of SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);
  - (iii) to perform all obligations and exercise all rights under or pursuant to this Annex in accordance with Applicable Law;
  - (iv) that each Cash Compensation Contract is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value impact of certain of the changes to the LIBOR Contracts pursuant to this Annex; and
  - (v) that it will take reasonable steps to ensure that any SwapClear Transaction referencing an In-Scope Floating Rate Option and submitted after December 31, 2021 meets the conditions in the definition of Legacy LIBOR Transaction.

## **9. DETERMINATIONS BINDING**

Subject to Section 13, all determinations and calculations made by the Clearing House pursuant to this Annex shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **10. RECORDS**

The Clearing House shall update its books and records to reflect the Cash Compensation Contracts and the amounts payable thereunder and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements. Where the Clearing House determines appropriate, the Clearing House will update its books and records or governance and booking procedures to provide that all Operational Bookings booked pursuant to this Annex do



not affect the rights and obligations of SwapClear Clearing Members regardless of anything to the contrary in any reports issued by the Clearing House.

## **11. LEGACY LIBOR TRANSACTIONS**

- (a) Notwithstanding anything to the contrary in the Product Specific Contract Terms and Eligibility Criteria Manual, from and including the Conversion Date in relation to an In-Scope Floating Rate Option, the Clearing House shall not accept for clearing or registration any SwapClear Transaction that references that In-Scope Floating Rate Option and is not a Legacy LIBOR Transaction.
- (b) A SwapClear Clearing Member may present Legacy LIBOR Transactions for registration at the Clearing House from, and including, the Conversion Date up to, and including, the Legacy LIBOR End Date. No Legacy LIBOR Transactions will be eligible for clearing after the Legacy LIBOR End Date and no SwapClear Clearing Member shall present a Legacy LIBOR Transaction for registration after the Legacy LIBOR End Date.
- (c) If a SwapClear Clearing Member presents a Legacy LIBOR Transaction to the Clearing House after December 31, 2021, that SwapClear Clearing Member shall be deemed to represent and warrant to the Clearing House on the day it presents that Legacy LIBOR Transaction to the Clearing House that:
  - (i) either (a) the Legacy LIBOR Transaction was entered into prior to the Legacy LIBOR Cut-Off Date, or (b) in the case of a Legacy LIBOR Transaction which results from the exercise of a physically settled swaption, that swaption was entered into prior to the Legacy LIBOR Cut-Off Date; and
  - (ii) the SwapClear Transaction incorporates either the Fallbacks Supplement pursuant to the ISDA 2020 IBOR Fallbacks Protocol, Supplement 70 to the ISDA 2006 Definitions or the equivalent provisions under the ISDA 2021 Definitions, in each case prior to it being presented to the Clearing House.

The SwapClear Clearing Member shall immediately notify the Clearing House if it becomes aware that any of the foregoing representations are incorrect, untrue or misleading.

- (d) A Legacy LIBOR Transaction will only be registered by the Clearing House on a business day if it is presented to the Clearing House prior to 4 p.m. London time on such business day (or such other cut-off time as may be separately communicated by the Clearing House to the SwapClear Clearing Members). If a Legacy LIBOR Transaction is presented after this time, the Clearing House may decline to register the Legacy LIBOR Transaction.
- (e) When a Legacy LIBOR Transaction is presented to the Clearing House by a SwapClear Clearing Member the presentation of such Legacy LIBOR Transaction shall constitute an irrevocable instruction from that SwapClear Clearing Member to the Clearing House to (i) register the Legacy LIBOR Transaction (subject to any other rights of the Clearing House, or obligations of the SwapClear Clearing Members in relation to the presentation or submission of SwapClear Transactions and registration of SwapClear Contracts generally pursuant to the Rulebook or the Product Specific Contract Terms

and Eligibility Criteria Manual) and (ii) immediately at the point of, and as part of, registration amend the Legacy LIBOR Transaction in accordance with Section 3(b)-(e) (inclusive) as if such provisions applied to Legacy LIBOR Transactions, *provided however that*, notwithstanding anything to the contrary in Section 3, in relation to Legacy LIBOR Transactions only, the amendments in Section 3(b)-(e) shall be made at the point of, and as part of, registration of the Legacy LIBOR Transaction at the Clearing House and any reference in Section 3 to such amendments being made on any other date (including on any future Reset Date or number of days before a future Reset Date) shall be disregarded and shall not apply to Legacy LIBOR Transactions and Section 3 shall be read accordingly in relation to Legacy LIBOR Transactions.

- (f) The SwapClear Clearing Member agrees that the Legacy LIBOR Transaction will be amended pursuant to (e) above at the point of, and as part of, registration at the Clearing House and, for the avoidance of doubt, there shall be no Operational Overlay Bookings in relation to Legacy LIBOR Transactions. The Clearing House shall have the right to make any consequential amendments to the terms of each Legacy LIBOR Transaction as it deems necessary in connection with, and to give effect to, the amendments in this Section 11. Unless expressly referenced herein, all other terms of each Legacy LIBOR Transaction shall remain in full force and effect and shall continue to apply, including, but not limited to, the “Fixed Rate”, “Day Count Fraction” “Business Days” and any “Spread” (each as defined in the ISDA Definitions).
- (g) At close of business in New York on each business day on which one or more Legacy LIBOR Transactions are presented to the Clearing House and accepted by the Clearing House, the Clearing House shall calculate the following amounts in relation to those Legacy LIBOR Transactions that were registered by the Clearing House on that business day:
- (i) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all Legacy LIBOR Transactions that were registered by the Clearing House on that business day, that have a floating rate or floating amount calculated using that In-Scope Floating Rate Option and are registered in each Proprietary Account as of the end of the business day in New York;
  - (ii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all Legacy LIBOR Transactions that were registered by the Clearing House on that business day, that have a floating rate or floating amount calculated using that In-Scope Floating Rate Option, and are registered in each Individual Segregated Account as of the end of the business day in New York; and
  - (iii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all Legacy LIBOR Transactions that were registered by the Clearing House on that business day, that have a floating rate or floating amount calculated using that In-Scope Floating Rate Option, and are registered in each "position account" within each Omnibus Segregated Account as of the end of the business day in New York.
- (h) The Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the Legacy LIBOR Transactions registered with the Clearing House on that business day referencing an In-Scope Floating Rate Option separately with respect

to each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:

- (i) the aggregate RFR Value in relation to all such Legacy LIBOR Transactions that were registered with the Clearing House on that business day exceeds the aggregate Fallback RFR Value in relation to all such Legacy LIBOR Transactions then the Cash Compensation Amount in relation to such Legacy LIBOR Transactions shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate RFR Value in relation to all such Legacy LIBOR Transactions that were registered with the Clearing House on that business day is less than the aggregate Fallback RFR Value in relation to all such Legacy LIBOR Transactions then the Cash Compensation Amount in relation to such Legacy LIBOR Transactions shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (i) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each Cash Compensation Amount calculated under (g) above (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay each Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of 1 unit of the relevant currency of the LIBOR Contracts to which it relates, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the date it is registered, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the Legacy LIBOR Transactions referencing an In-Scope Floating Rate Option in the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to (g) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.
- (j) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 11 which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the Legacy LIBOR Transactions.

- (k) This Section 11 is without prejudice to any other rights of the Clearing House, or obligations of the SwapClear Clearing Members, in relation to the presentation of SwapClear Transactions and registration of SwapClear Contracts generally pursuant to the Rulebook or the Product Specific Contract Terms and Eligibility Criteria Manual.

## **12. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 13.
- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Regulations and the Procedures to change the terms of any open SwapClear Contract from time to time and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.
- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Clearing Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.
- (d) Section 5 is provided for SwapClear Clearing Members operational convenience only and the Clearing House is under no obligation to update this Annex in relation to any changes in its operational or booking processes generally or in relation to the matters specified herein.

## **13. LIMITATION OF LIABILITY**

13.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex;

- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex;
- (iii) any of the operational bookings made pursuant to Section 5 of this Annex; or
- (iv) the registration of any Legacy LIBOR Transaction or whether a SwapClear Transaction is eligible to be registered as a Legacy LIBOR Transaction,

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

13.2 Without prejudice to the generality of Regulation 52 and clause 13.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

13.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.

13.4 For the avoidance of doubt, notwithstanding anything to the contrary herein, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

**SCHEDULE 5**  
**SWAPCLEAR SCM SERVICE –**  
**FLOATING RATE CONVERSION ANNEX – USD LIBOR**

**1. SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Floating Rate Conversion Annex” as defined in and pursuant to the Regulations and supplements and forms part of the Rulebook.
- (b) The terms of this Annex shall apply to all open SwapClear Contracts that (i) specify the In-Scope Floating Rate Option as the floating rate or use the In-Scope Floating Rate Option to calculate the floating amount thereunder and (ii) are registered with the Clearing House as of the end of the “business day” in New York on the applicable Conversion Cut-Off Date (each such SwapClear Contract, a **USD LIBOR Contract**). For the avoidance of doubt, (A) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and all SwapClear Contracts shall remain in full force and effect, and (B) other than as expressly set out in this Annex, the SwapClear Contract Terms shall not be amended, supplemented or modified by the terms of this Annex.
- (c) Capitalised terms used but not otherwise defined herein have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (d) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

**2. DEFINITIONS**

For the purposes of this Annex:

**Amended USD LIBOR Contract** means each USD LIBOR Contract after giving effect to the amendments made pursuant to Section 3 below.

**Bloomberg Spread** means, in relation to the In-Scope Floating Rate Option, the spread relating to that In-Scope Floating Rate Option for a period of the Designated Maturity (as defined in the ISDA Definitions) of that USD LIBOR Contract provided by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time).

**Cash Compensation Amount** means, in relation to all USD LIBOR Contracts that specify the In-Scope Floating Rate Option as the floating rate or use the In-Scope Floating Rate Option to calculate the floating amount thereunder in a Proprietary Account, an Individual Segregated Account, or a "position account" within an Omnibus Segregated Account, the amount determined in accordance with Section 7 below, or, in relation to Legacy LIBOR Transactions, the amount determined in accordance with Section 10 below.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 7 or Section 10 (as applicable) below.

**Conversion Cut-Off Date** means, with respect to a USD LIBOR Contract, the business day immediately prior to the Conversion Date applicable to such USD LIBOR Contract as determined in accordance with the definition of “Conversion Date” below.

**Conversion Date** means:

- (a) in relation to each Tranche 1 USD LIBOR Contract, April 22, 2023, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate; and
- (b) in relation to each Tranche 2 USD LIBOR Contract, May 20, 2023, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Fallback RFR Value** means, in relation to a USD LIBOR Contract, the net present value, determined by the Clearing House as of the applicable Conversion Date, of all future cash flows under that USD LIBOR Contract on the basis that such USD LIBOR Contract is not amended pursuant to this Annex. If the net present value represents an asset or positive value for the Clearing House, such Fallback RFR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such Fallback RFR Value shall be a negative amount.

**In-Scope Floating Rate Option** means USD-LIBOR (as defined in the ISDA 2021 Interest Rate Definitions).

**ISDA Definitions** means the ISDA 2021 Interest Rate Definitions, as published by the International Swaps and Derivatives Association, Inc.

**Legacy LIBOR End Date** means June 30, 2025, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Legacy LIBOR Transaction** means a SwapClear Transaction that meets the following conditions:

- (a) it is eligible under the Product Specific Contract Terms and Eligibility Criteria Manual in effect from time to time;
- (b) it specifies the In-Scope Floating Rate Option as the floating rate or uses the In-Scope Floating Rate Option to calculate the floating amount thereunder;
- (c) it is presented to the Clearing House after the applicable Conversion Date; and
- (d) if it is presented to the Clearing House after June 30, 2023 either (i) in the case of SwapClear Transactions other than those referred to in (ii) below, the SwapClear Transaction was entered into prior to the June 30, 2023, or (ii) in the case of a SwapClear Transaction resulting from the exercise of a swaption, that swaption was entered into prior to June 30, 2023.

**LIBOR Basis Swap** means each SwapClear Contract that is recorded as a “basis swap” in the books and records of the Clearing House and references the In-Scope Floating Rate Option.

**Operational Straddle Period USD LIBOR Booking** means an Operational Booking which has a “Reset Date” (as defined in the ISDA Definitions) which falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option.

**Relevant Number of Business Days** means two London Banking Days (as defined in the ISDA Definitions).

**RFR Value** means, in relation to a USD LIBOR Contract, the net present value, determined by the Clearing House as of the applicable Conversion Date, of all future cash flows under that USD LIBOR Contract on the basis that such USD LIBOR Contract is an Amended USD LIBOR Contract. If the net present value represents an asset or positive value for the Clearing House, such RFR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such RFR Value shall be a negative amount.

**Straddle Period USD LIBOR Contract** means a USD LIBOR Contract which has a “Reset Date” (as defined in the ISDA Definitions) which falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to the In-Scope Floating Rate Option specified in that USD LIBOR Contract and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the applicable Conversion Date.

**Tranche 1 USD LIBOR Contract** means each USD LIBOR Contract that is recorded in the books and records of the Clearing House as either a “FedFunds – USD LIBOR basis swap”, a “variable notional swap” or a “zero coupon swap”, or such other USD LIBOR Contracts as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Tranche 2 USD LIBOR Contract** means each USD LIBOR Contract that is not a Tranche 1 USD LIBOR Contract, or such other USD LIBOR Contracts as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

### 3. AMENDMENTS TO USD LIBOR CONTRACTS

- (a) Pursuant to Regulation 60C of the Regulations, with effect from, and including, the applicable Conversion Date each USD LIBOR Contract shall be amended in accordance with this Section 3.

#### *Floating Rate Option:*

- (b) From and including the first Reset Date falling after the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to the In-Scope Floating Rate Options, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to USD-LIBOR in the SwapClear Contract Terms shall be deemed to be replaced for all purposes with USD-SOFR-OIS Compound.



*Bloomberg Spread:*

- (c) From and including the first Reset Date which falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant USD LIBOR Contract, the "Floating Rate" under each USD LIBOR Contract will, in addition to any "Spread" (as defined in the ISDA Definitions) already existing under the terms of the USD LIBOR Contract, include the Bloomberg Spread applicable to that In-Scope Floating Rate Option.

*Payment Date Delay:*

- (d) From and including the first Reset Date which falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant USD LIBOR Contract, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Applicable" and the number of days specified for such purposes shall be two (2) Business Days (with Business Days having the meaning specified in the terms of the original relevant USD LIBOR Contract). The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall two (2) Business Days (with Business Days having the meaning specified in the terms of the original relevant USD LIBOR Contract) after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable.

*No Observation Period Shift:*

- (e) For the avoidance of doubt, the Clearing House and the SwapClear Clearing Members acknowledge and agree that as a result of the amendment made in paragraph (b) above, each "Floating Rate" under each USD LIBOR Contract shall be calculated over the relevant "Calculation Period" without any shift, adjustment or "observation shift" and all of the provisions relating thereto in the ISDA Definitions and the IBOR Fallback Rate Adjustments Rule Book published by Bloomberg Index Services Limited shall not apply to the calculation of the "Floating Rate" under each USD LIBOR Contract.

*Amendments to Zero Coupon Swaps:*

- (f) If the USD LIBOR Contract is recorded in the books and records of the Clearing House as a "zero coupon swap" then, in addition to the amendments above, on the applicable Conversion Date:
- (i) the "Effective Date" under such USD LIBOR Contract will be amended so that it is equal to the first "Period End Date" (as defined in the ISDA Definitions) falling after the "Index Cessation Effective Date (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant USD LIBOR Contract;
  - (ii) the "Notional Amount" of such USD LIBOR Contract will be amended so that it is equal to the sum of (x) the "Notional Amount" of the USD LIBOR Contract as of the applicable Conversion Date and (y) the "Floating Amounts" accrued under the USD LIBOR Contract to, and including, the first "Period End Date"

(as defined in the ISDA Definitions) falling after the Index Cessation Effective Date related to the In-Scope Floating Rate Option referenced in the relevant USD LIBOR Contract (the amount in (y) being the **Accrued USD LIBOR Amount**); and

- (iii) an amount equivalent to the Accrued USD LIBOR Amount shall be an additional amount payable by the “Floating Amount Payer” under the USD LIBOR Contract on the “Termination Date” of such USD LIBOR Contract.

*Consequential Amendments:*

- (g) The Clearing House shall make any consequential amendments to the terms of each USD LIBOR Contract as it deems necessary in connection with, and to give effect to, the amendments in this Section 3.
- (h) Unless expressly referenced herein, all other terms of each USD LIBOR Contract shall remain in full force and effect and shall continue to apply, including, but not limited to, the “Fixed Rate”, “Day Count Fraction” “Business Days” and any “Spread” (each as defined in the ISDA Definitions).

#### **4. OPERATIONAL BOOKINGS**

- (a) In order to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex in the SwapClear service, the Clearing House shall record certain bookings in the SwapClear service (each an **Operational Booking**) in the manner described in this Section 4. Any bookings referred to in this Section 4 are solely to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex and the Clearing House and each SwapClear Clearing Member agree and acknowledge that they shall not result in the registration of any new SwapClear Contracts and shall have no legal effect and are for operational purposes only.

*Main Operational Booking*

- (b) On the applicable Conversion Date in relation to each USD LIBOR Contract, the Clearing House shall record an Operational Booking (each an **Operational RFR Booking**) that is on the same terms as the USD LIBOR Contract to which it relates except that, from the “Effective Date” of the Operational RFR Booking (which shall be prior to the applicable Conversion Date) any “Floating Amounts” reflected in the Operational RFR Booking shall be calculated after giving effect to the amendments made pursuant to Section 3 of this Annex. On the applicable Conversion Date in relation to a USD LIBOR Contract, the Clearing House shall terminate the operational booking relating to that USD LIBOR Contract that was recorded in the SwapClear service immediately prior to the applicable Conversion Date. For the avoidance of doubt, this paragraph (b) shall apply to all USD LIBOR Contracts, including any LIBOR Basis Swaps that have not been split pursuant to section 1.33 of Procedure 2C as of the applicable Conversion Date.

*Operational Overlay Bookings*

- (c) In addition to the Operational RFR Bookings referred to in (b) above, with respect to each Straddle Period USD LIBOR Contract and Operational Straddle Period USD LIBOR Booking in relation to which the SwapClear Clearing Member would receive a “Floating Amount” calculated using the In-Scope Floating Rate Option under the Straddle Period USD LIBOR Contract or Operational Straddle Period USD LIBOR Booking (such amount, the **USD LIBOR Amount**), on the applicable Conversion Date the Clearing House shall record the following Operational Bookings (each an **Operational Overlay Booking**) in the SwapClear service:
- (i) in relation to a Straddle Period USD LIBOR Contract or any Operational Straddle Period USD LIBOR Booking that is not of the type specified in (ii) below:
    - (A) an Operational Overlay Booking reflecting (X) a fixed amount that would be payable by the SwapClear Clearing Member, such amount determined by the Clearing House in its sole and absolute discretion (the **Overlay Fixed Amount**) and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the USD LIBOR Amount it would be entitled to receive under the Straddle Period USD LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period USD LIBOR Booking); and
    - (B) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be entitled to receive as reflected under the related Operational RFR Booking,
  - (ii) in relation to a Straddle Period USD LIBOR Contract that is recorded in a Proprietary Account (or any Operational Straddle Period USD LIBOR Booking that would be recorded in a Proprietary Account) an Operational Overlay Booking reflecting (X) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” it would be entitled to receive as reflected under the Operational RFR Booking and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the USD LIBOR Amount it would be entitled to receive under the Straddle Period USD LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period USD LIBOR Booking).
- (d) In addition to the Operational RFR Bookings referred to in (b) above, with respect to each Straddle Period USD LIBOR Contract and Operational Straddle Period USD LIBOR Booking in relation to which the SwapClear Clearing Member would pay the USD LIBOR Amount, on the applicable Conversion Date the Clearing House shall record the following Operational Overlay Bookings in the SwapClear service:
- (i) in relation to a Straddle Period USD LIBOR Contract or any Operational Straddle Period USD LIBOR Booking that is not of the type specified in (ii) below:

- (A) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) an amount that would be payable by the SwapClear Clearing Member equal to the USD LIBOR Amount it would be obliged to pay under the Straddle Period USD LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period USD LIBOR Booking); and
- (B) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable by the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable to the SwapClear Clearing Member equal to the “Floating Amount” that would be payable by the SwapClear Clearing as reflected under the related Operational RFR Booking,
- (ii) in relation to a Straddle Period USD LIBOR Contract that is recorded in a Proprietary Account (or any Operational Straddle Period USD LIBOR Booking that would be recorded in a Proprietary Account) an Operational Overlay Booking reflecting (X) an amount payable by the SwapClear Clearing Member equal to the USD LIBOR Amount the SwapClear Clearing Member would be obliged to pay under the Straddle Period USD LIBOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period USD LIBOR Booking) and (Y) a “Floating Amount” payable to the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be obliged to pay as reflected under the related Operational RFR Booking.
- (e) The Operational Overlay Bookings in relation to a Straddle Period USD LIBOR Contract and Operational Straddle Period USD LIBOR Booking will terminate as of the time when they are no longer required for the Clearing House’s operational purposes, which is expected to be on the first Period End Date (as defined in the ISDA Definitions) after the Index Cessation Effective Date.

## **5. SUBSEQUENT ACTIONS WITH RESPECT TO OPERATIONAL BOOKINGS**

### *Subsequent Actions Generally*

- (a) If the Clearing House receives an instruction from a SwapClear Clearing Member to take a permitted action with respect to some but not all of the rights and obligations under any Amended USD LIBOR Contract (including, but not limited to, compression) and such rights and obligations have been operationally reflected in one or more of the Operational Bookings booked in accordance with Section 4 and not terminated, then the Clearing House shall deem this to be an instruction to take the following steps contingent on the effectiveness or occurrence of the permitted action:
  - (i) pursuant to its powers under Regulation 60C, register one or more new SwapClear Contract(s) in the name of that SwapClear Clearing Member with the same terms as such Operational Booking(s); and
  - (ii) amend the Amended USD LIBOR Contract to reflect the rights and obligations remaining after giving effect to the instruction referred to above.

*Splitting of Basis Swaps after the applicable Conversion Date*

- (b) SwapClear Members and SwapClear Clearing Clients may request that the Clearing House split their LIBOR Basis Swaps prior to the applicable Conversion Date in accordance with section 1.33 of Procedure 2C. To the extent that a SwapClear Clearing Member or a SwapClear Clearing Client has not requested the Clearing House to split its LIBOR Basis Swaps pursuant to section 1.33 of Procedure 2C by the applicable Conversion Date, such SwapClear Clearing Member or SwapClear Clearing Client may, from time to time thereafter, request that the Clearing House splits one or more of its LIBOR Basis Swaps using the process set out in section 1.33 of Procedure 2C. If the Clearing House accepts the SwapClear Clearing Member's or SwapClear Clearing Client's request and re-registers the relevant LIBOR Basis Swaps in accordance with section 1.33 of Procedure 2C, then it shall also amend the Amended USD LIBOR Contract, the Operational RFR Booking, and, if relevant, any Operational Overlay Bookings related to the LIBOR Basis Swaps which have been split pursuant to section 1.33 of Procedure 2C to the extent it deems necessary in connection with such re-registration.

**6. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

Pursuant to Regulation 60C of the Regulations, this Annex sets out the method for (i) calculating the Cash Compensation Amounts (which are "Conversion Payments" for purposes of Regulation 60C), and (ii) determining the terms of the Cash Compensation Contracts which shall be registered in order to effect the payment of the Cash Compensation Amounts.

**7. DETERMINATION OF THE CASH COMPENSATION AMOUNT AND THE CASH COMPENSATION CONTRACTS FOLLOWING THE CONVERSION**

- (a) On the applicable Conversion Date the Clearing House shall calculate the following amounts:
- (i) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) registered in each Proprietary Account as of the end of the business day in New York on the applicable Conversion Cut-Off Date;
  - (ii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) registered in each Individual Segregated Account as of the end of the business day in New York on the applicable Conversion Cut-Off Date; and
  - (iii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) registered in each "position account" within each Omnibus Segregated Account as of the end of the business day in New York on the Conversion Cut-Off Date.

- (b) On the applicable Conversion Date the Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) in each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:
- (i) the aggregate RFR Value in relation to all Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) exceeds the aggregate Fallback RFR Value in relation to all Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) then the Cash Compensation Amount in relation to the Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate RFR Value in relation to all Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) is less than the aggregate Fallback RFR Value in relation to all Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) then the Cash Compensation Amount in relation to all Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (c) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each Cash Compensation Amount (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay each Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of USD 1, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the applicable Conversion Cut-Off Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the Tranche 1 USD LIBOR Contracts or Tranche 2 USD LIBOR Contracts (as applicable) in the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to Section 7(b) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.
- (d) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 7, which shall, when registered, constitute

a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the USD LIBOR Contracts.

- (e) Each SwapClear Clearing Member agrees (and in the case of (e)(iv) below, each SwapClear Clearing Member and the Clearing House agrees):
- (i) to use reasonable endeavors to provide each of its SwapClear Clearing Clients with (i) information on the change to the USD LIBOR Contracts pursuant to the terms of Regulation 60C and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be allocated to that SwapClear Clearing Client's Individual Segregated Account, or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, and (iii) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account". Such information shall be set out in 'Risk Notices' or other materials from the Clearing House in connection with this Annex (or any applicable Floating Rate Conversion Notice(s)) expressly marked for distribution to SwapClear Clearing Clients;
  - (ii) that it, and each of SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);
  - (iii) to perform all obligations and exercise all rights under or pursuant to this Annex in accordance with Applicable Law;
  - (iv) that each Cash Compensation Contract is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value impact of certain of the changes to the USD LIBOR Contracts pursuant to this Annex; and
  - (v) that it will take reasonable steps to ensure that any SwapClear Transaction referencing the In-Scope Floating Rate Option and submitted after June 30, 2023 meets the conditions in the definition of Legacy LIBOR Transaction.

## **8. DETERMINATIONS BINDING**

Subject to Section 12, all determinations and calculations made by the Clearing House pursuant to this Annex shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **9. RECORDS**

The Clearing House shall update its books and records to reflect the Cash Compensation Contracts and the amounts payable thereunder and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements. Where the Clearing House determines appropriate, the

Clearing House will update its books and records or governance and booking procedures to provide that all Operational Bookings booked pursuant to this Annex do not affect the rights and obligations of SwapClear Clearing Members regardless of anything to the contrary in any reports issued by the Clearing House.

## 10. LEGACY LIBOR TRANSACTIONS

- (a) Notwithstanding anything to the contrary in the Product Specific Contract Terms and Eligibility Criteria Manual:
- (a) from and including the Conversion Date in relation to Tranche 1 USD LIBOR Contracts, other than “variable notional swaps” the Clearing House shall not accept for clearing or registration any SwapClear Transaction that would, if registered, be a Tranche 1 USD LIBOR Contract and is not a Legacy LIBOR Transaction; and
  - (b) from and including the Conversion Date in relation to Tranche 2 USD LIBOR Contracts, the Clearing House shall not accept for clearing or registration any SwapClear Transaction that would, if registered, be a “variable notional swap” or a Tranche 2 USD LIBOR Contract and is not a Legacy LIBOR Transaction.
- (b) A SwapClear Clearing Member may present Legacy LIBOR Transactions for registration at the Clearing House from, and including, the applicable Conversion Date up to, and including, the Legacy LIBOR End Date. No Legacy LIBOR Transactions will be eligible for clearing after the Legacy LIBOR End Date and no SwapClear Clearing Member shall present a Legacy LIBOR Transaction for registration after the Legacy LIBOR End Date.
- (c) If a SwapClear Clearing Member presents a Legacy LIBOR Transaction to the Clearing House after June 30, 2023 on behalf of a SwapClear Clearing Client, that SwapClear Clearing Client shall be deemed to represent and warrant to that SwapClear Clearing Member on the day the SwapClear Clearing Member presents that Legacy LIBOR Transaction to the Clearing House that:
- (i) either (a) the Legacy LIBOR Transaction was entered into prior to June 30, 2023, or (b) in the case of a Legacy LIBOR Transaction which results from the exercise of a swaption, that swaption was entered into prior to June 30, 2023;
  - (ii) the SwapClear Transaction incorporates either the Fallbacks Supplement pursuant to the ISDA 2020 IBOR Fallbacks Protocol, Supplement 70 to the ISDA 2006 Definitions or the equivalent provisions under the ISDA 2021 Definitions, in each case prior to it being presented to the Clearing House; and
  - (iii) the Legacy LIBOR Transaction or, if applicable, the related physically settled swaption, was entered into in accordance with (i) the “Statement on LIBOR Transition” dated November 30, 2020 issued by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation or any analogous notice, guidance or statement in any jurisdiction applicable to the SwapClear Clearing Member and the Legacy LIBOR Transaction, and (ii) Applicable Law.



The SwapClear Clearing Member shall immediately notify the Clearing House if it becomes aware that any of the foregoing representations made by any of its SwapClear Clearing Clients are incorrect, untrue or misleading. For the avoidance of doubt, in accordance with Regulation 60C, this paragraph 10(c) is a "Mandatory CCP Provision" for the purposes of the Clearing Agreements between a SwapClear Clearing Member and each of its SwapClear Clearing Clients.

- (d) A Legacy LIBOR Transaction will only be registered by the Clearing House on a business day if it is presented to the Clearing House prior to 4 p.m. London time on such business day (or such other cut-off time as may be separately communicated by the Clearing House to the SwapClear Clearing Members). If a Legacy LIBOR Transaction is presented after this time, the Clearing House may decline to register the Legacy LIBOR Transaction.
- (e) When a Legacy LIBOR Transaction is presented to the Clearing House by a SwapClear Clearing Member the presentation of such Legacy LIBOR Transaction shall constitute an irrevocable instruction from that SwapClear Clearing Member to the Clearing House to (i) register the Legacy LIBOR Transaction (subject to any other rights of the Clearing House, or obligations of the SwapClear Clearing Members in relation to the presentation or submission of SwapClear Transactions and registration of SwapClear Contracts generally pursuant to the Rulebook or the Product Specific Contract Terms and Eligibility Criteria Manual) and (ii) immediately at the point of, and as part of, registration amend the Legacy LIBOR Transaction in accordance with Section 3(b)-(f) (inclusive) as applicable and as if such provisions applied to Legacy LIBOR Transactions, *provided however that*, notwithstanding anything to the contrary in Section 3, in relation to Legacy LIBOR Transactions only, the applicable amendments in Section 3(b)-(f) shall be made at the point of, and as part of, registration of the Legacy LIBOR Transaction at the Clearing House and any reference in Section 3 to such amendments being made on any other date (including on any future Reset Date or number of days before a future Reset Date) shall be disregarded and shall not apply to Legacy LIBOR Transactions and Section 3 shall be read accordingly in relation to Legacy LIBOR Transactions.
- (f) The SwapClear Clearing Member agrees that the Legacy LIBOR Transaction will be amended pursuant to (e) above at the point of, and as part of, registration at the Clearing House and, for the avoidance of doubt, there shall be no Operational Overlay Bookings in relation to Legacy LIBOR Transactions. The Clearing House shall have the right to make any consequential amendments to the terms of each Legacy LIBOR Transaction as it deems necessary in connection with, and to give effect to, the amendments in this Section 10. Unless expressly referenced herein, all other terms of each Legacy LIBOR Transaction shall remain in full force and effect and shall continue to apply, including, but not limited to, the "Fixed Rate", "Day Count Fraction" "Business Days" and any "Spread" (each as defined in the ISDA Definitions).
- (g) At close of business in New York on each business day on which one or more Legacy LIBOR Transactions are presented to the Clearing House and accepted by the Clearing House, the Clearing House shall calculate the following amounts in relation to those Legacy LIBOR Transactions that were registered by the Clearing House on that business day:

- (i) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all Legacy LIBOR Transactions that were registered by the Clearing House on that business day and are registered in each Proprietary Account as of the end of the business day in New York;
  - (ii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all Legacy LIBOR Transactions that were registered by the Clearing House on that business day and are registered in each Individual Segregated Account as of the end of the business day in New York; and
  - (iii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all Legacy LIBOR Transactions that were registered by the Clearing House on that business day and are registered in each "position account" within each Omnibus Segregated Account as of the end of the business day in New York.
- (h) The Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the Legacy LIBOR Transactions registered with the Clearing House on that business day separately with respect to each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:
- (i) the aggregate RFR Value in relation to all such Legacy LIBOR Transactions that were registered with the Clearing House on that business day exceeds the aggregate Fallback RFR Value in relation to all such Legacy LIBOR Transactions then the Cash Compensation Amount in relation to such Legacy LIBOR Transactions shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate RFR Value in relation to all such Legacy LIBOR Transactions that were registered with the Clearing House on that business day is less than the aggregate Fallback RFR Value in relation to all such Legacy LIBOR Transactions then the Cash Compensation Amount in relation to such Legacy LIBOR Transactions shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (i) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each Cash Compensation Amount calculated under (g) above (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay each Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of USD 1, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after

the date it is registered, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the Legacy LIBOR Transactions in the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to (g) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.

- (j) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 10 which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the Legacy LIBOR Transactions.
- (k) This Section 10 is without prejudice to any other rights of the Clearing House, or obligations of the SwapClear Clearing Members, in relation to the presentation of SwapClear Transactions and registration of SwapClear Contracts generally pursuant to the Rulebook or the Product Specific Contract Terms and Eligibility Criteria Manual.

## **11. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 12.
- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Regulations and the Procedures to change the terms of any open SwapClear Contract from time to time and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.
- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Clearing Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.
- (d) Section 4 is provided for SwapClear Clearing Members operational convenience only and the Clearing House is under no obligation to update this Annex in relation to any changes in its operational or booking processes generally or in relation to the matters specified herein.

## **12. LIMITATION OF LIABILITY**

- 12.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex;
- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex;
- (iii) any of the operational bookings made pursuant to Section 4 of this Annex; or
- (iv) the registration of any Legacy LIBOR Transaction or whether a SwapClear Transaction is eligible to be registered as a Legacy LIBOR Transaction,

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

12.2 Without prejudice to the generality of Regulation 52 and clause 12.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

12.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in

connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.

- 12.4 For the avoidance of doubt, notwithstanding anything to the contrary herein, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

**SCHEDULE 6**  
**SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX –**  
**SGD SOR**

**1. SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Floating Rate Conversion Annex” as defined in and pursuant to the Regulations and supplements and forms part of the Rulebook.
- (b) The terms of this Annex shall apply to all open SwapClear Contracts that (i) specify the In-Scope Floating Rate Option as the floating rate or use the In-Scope Floating Rate Option to calculate the floating amount thereunder and (ii) are registered with the Clearing House as of the end of the “business day” in New York on the applicable Conversion Cut-Off Date (each such SwapClear Contract, a **SGD SOR Contract**). For the avoidance of doubt, (A) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and all SwapClear Contracts shall remain in full force and effect, and (B) other than as expressly set out in this Annex, the SwapClear Contract Terms shall not be amended, supplemented or modified by the terms of this Annex.
- (c) Capitalised terms used but not otherwise defined herein have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (d) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

**2. DEFINITIONS**

For the purposes of this Annex:

**Adjustment Spread** means, in relation to the In-Scope Floating Rate Option, the spread relating to that In-Scope Floating Rate Option for a period of the Designated Maturity (as defined in the ISDA Definitions) of that SGD SOR Contract provided by the Association of Banks in Singapore (“ABS”) and the Steering Committee for SOR & SIBOR Transition to SORA (“SC-STs”) (or a successor provider).

**Amended SGD SOR Contract** means each SGD SOR Contract after giving effect to the amendments made pursuant to Section 3 below.

**Cash Compensation Amount** means, in relation to all SGD SOR Contracts that specify the In-Scope Floating Rate Option as the floating rate or use the In-Scope Floating Rate Option to calculate the floating amount thereunder in a Proprietary Account, an Individual Segregated Account, or a "position account" within an Omnibus Segregated Account, the amount determined in accordance with Section 7 below.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 7 below.

**Conversion Cut-Off Date** means, with respect to a SGD SOR Contract, the business day immediately prior to the Conversion Date applicable to such SGD SOR Contract as determined in accordance with the definition of “Conversion Date” below.

**Conversion Date** means June 10, 2023, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Fallback RFR Value** means, in relation to a SGD SOR Contract, the net present value, determined by the Clearing House as of the applicable Conversion Date, of all future cash flows under that SGD SOR Contract on the basis that such SGD SOR Contract is not amended pursuant to this Annex. If the net present value represents an asset or positive value for the Clearing House, such Fallback RFR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such Fallback RFR Value shall be a negative amount.

**In-Scope Floating Rate Option** means SGD-SOR (as defined in the ISDA Definitions).

**ISDA Definitions** means the ISDA 2021 Interest Rate Definitions, as published by the International Swaps and Derivatives Association, Inc.

**Operational Straddle Period SGD SOR Booking** means an Operational Booking which has a “Reset Date” (as defined in the ISDA Definitions) which falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option.

**Relevant Number of Business Days** means two Singapore Business Days (as defined in the ISDA Definitions).

**RFR Value** means, in relation to a SGD SOR Contract, the net present value, determined by the Clearing House as of the applicable Conversion Date, of all future cash flows under that SGD SOR Contract on the basis that such SGD SOR Contract is an Amended SGD SOR Contract. If the net present value represents an asset or positive value for the Clearing House, such RFR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such RFR Value shall be a negative amount.

**Straddle Period SGD SOR Contract** means a SGD SOR Contract which has a “Reset Date” (as defined in the ISDA Definitions) which falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to the In-Scope Floating Rate Option specified in that SGD SOR Contract and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the applicable Conversion Date.

### 3. AMENDMENTS TO SGD SOR CONTRACTS

- (a) Pursuant to Regulation 60C of the Regulations, with effect from, and including, the applicable Conversion Date each SGD SOR Contract shall be amended in accordance with this Section 3.

*Floating Rate Option:*

- (b) From and including the first Reset Date falling after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) in relation to the In-Scope Floating Rate Option, and notwithstanding anything to the contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to SGD-SOR in the SwapClear Contract Terms shall be deemed to be replaced for all purposes with SGD-SORA-OIS Compound.

*Adjustment Spread:*

- (c) From and including the first Reset Date which falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant SGD SOR Contract, the "Floating Rate" under each SGD SOR Contract will, in addition to any "Spread" (as defined in the ISDA Definitions) already existing under the terms of the SGD SOR Contract, include the Adjustment Spread applicable to that In-Scope Floating Rate Option.

*Payment Date Delay:*

- (d) From and including the first Reset Date which falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant SGD SOR Contract, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Applicable" and the number of days specified for such purposes shall be two (2) Business Days (with Business Days having the meaning specified in the terms of the original relevant SGD SOR Contract). The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall two (2) Business Days (with Business Days having the meaning specified in the terms of the original relevant SGD SOR Contract) after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable.

*No Observation Period Shift:*

- (e) For the avoidance of doubt, the Clearing House and the SwapClear Clearing Members acknowledge and agree that as a result of the amendment made in paragraph (b) above, each "Floating Rate" under each SGD SOR Contract shall be calculated over the relevant "Calculation Period" without any shift, adjustment or "observation shift" and all of the provisions relating thereto in the ISDA Definitions shall not apply to the calculation of the "Floating Rate" under each SGD SOR Contract.

*Consequential Amendments:*

- (f) The Clearing House shall make any consequential amendments to the terms of each SGD SOR Contract as it deems necessary in connection with, and to give effect to, the amendments in this Section 3.
- (g) Unless expressly referenced herein, all other terms of each SGD SOR Contract shall remain in full force and effect and shall continue to apply, including, but not limited to,



the “Fixed Rate”, “Day Count Fraction” “Business Days” and any “Spread” (each as defined in the ISDA Definitions).

#### 4. OPERATIONAL BOOKINGS

- (a) In order to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex in the SwapClear service, the Clearing House shall record certain bookings in the SwapClear service (each an **Operational Booking**) in the manner described in this Section 4. Any bookings referred to in this Section 4 are solely to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex and the Clearing House and each SwapClear Clearing Member agree and acknowledge that they shall not result in the registration of any new SwapClear Contracts and shall have no legal effect and are for operational purposes only.

##### *Main Operational Booking*

- (b) On the applicable Conversion Date in relation to each SGD SOR Contract, the Clearing House shall record an Operational Booking (each an **Operational RFR Booking**) that is on the same terms as the SGD SOR Contract to which it relates except that, from the “Effective Date” of the Operational RFR Booking (which shall be prior to the applicable Conversion Date) any “Floating Amounts” reflected in the Operational RFR Booking shall be calculated after giving effect to the amendments made pursuant to Section 3 of this Annex. On the applicable Conversion Date in relation to a SGD SOR Contract, the Clearing House shall terminate the operational booking relating to that SGD SOR Contract that was recorded in the SwapClear service immediately prior to the applicable Conversion Date. For the avoidance of doubt, this paragraph (b) shall apply to all SGD SOR Contracts.

##### *Operational Overlay Bookings*

- (c) In addition to the Operational RFR Bookings referred to in (b) above, with respect to each Straddle Period SGD SOR Contract and Operational Straddle Period SGD SOR Booking in relation to which the SwapClear Clearing Member would receive a “Floating Amount” calculated using the In-Scope Floating Rate Option under the Straddle Period SGD SOR Contract or Operational Straddle Period SGD SOR Booking (such amount, the **SGD SOR Amount**), on the applicable Conversion Date the Clearing House shall record the following Operational Bookings (each an **Operational Overlay Booking**) in the SwapClear service:
- (i) an Operational Overlay Booking reflecting (X) a fixed amount that would be payable by the SwapClear Clearing Member, such amount determined by the Clearing House in its sole and absolute discretion (the **Overlay Fixed Amount**) and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the SGD SOR Amount it would be entitled to receive under the Straddle Period SGD SOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period SGD SOR Booking); and

- (ii) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be entitled to receive as reflected under the related Operational RFR Booking.
- (d) In addition to the Operational RFR Bookings referred to in (b) above, with respect to each Straddle Period SGD SOR Contract and Operational Straddle Period SGD SOR Booking in relation to which the SwapClear Clearing Member would pay the SGD SOR Amount, on the applicable Conversion Date the Clearing House shall record the following Operational Overlay Bookings in the SwapClear service:
  - (i) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) an amount that would be payable by the SwapClear Clearing Member equal to the SGD SOR Amount it would be obliged to pay under the Straddle Period SGD SOR Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period SGD SOR Booking); and
  - (ii) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable by the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable to the SwapClear Clearing Member equal to the “Floating Amount” that would be payable by the SwapClear Clearing as reflected under the related Operational RFR Booking.
- (e) The Operational Overlay Bookings in relation to a Straddle Period SGD SOR Contract and Operational Straddle Period SGD SOR Booking will terminate as of the time when they are no longer required for the Clearing House’s operational purposes, which is expected to be on the first Period End Date (as defined in the ISDA Definitions) after the Index Cessation Effective Date.

## **5. SUBSEQUENT ACTIONS WITH RESPECT TO OPERATIONAL BOOKINGS**

### *Subsequent Actions Generally*

- (a) If the Clearing House receives an instruction from a SwapClear Clearing Member to take a permitted action with respect to some but not all of the rights and obligations under any Amended SGD SOR Contract (including, but not limited to, compression) and such rights and obligations have been operationally reflected in one or more of the Operational Bookings booked in accordance with Section 4 and not terminated, then the Clearing House shall deem this to be an instruction to take the following steps contingent on the effectiveness or occurrence of the permitted action:
  - (i) pursuant to its powers under Regulation 60C, register one or more new SwapClear Contract(s) in the name of that SwapClear Clearing Member with the same terms as such Operational Booking(s); and

- (ii) amend the Amended SGD SOR Contract to reflect the rights and obligations remaining after giving effect to the instruction referred to above.

## **6. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

Pursuant to Regulation 60C of the Regulations, this Annex sets out the method for (i) calculating the Cash Compensation Amounts (which are “Conversion Payments” for purposes of Regulation 60C), and (ii) determining the terms of the Cash Compensation Contracts which shall be registered in order to effect the payment of the Cash Compensation Amounts.

## **7. DETERMINATION OF THE CASH COMPENSATION AMOUNT AND THE CASH COMPENSATION CONTRACTS FOLLOWING THE CONVERSION**

- (a) On the applicable Conversion Date the Clearing House shall calculate the following amounts:
  - (i) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the SGD SOR Contracts registered in each Proprietary Account as of the end of the business day in New York on the applicable Conversion Cut-Off Date;
  - (ii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the SGD SOR Contracts registered in each Individual Segregated Account as of the end of the business day in New York on the applicable Conversion Cut-Off Date; and
  - (iii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the SGD SOR Contracts registered in each "position account" within each Omnibus Segregated Account as of the end of the business day in New York on the Conversion Cut-Off Date.
- (b) On the applicable Conversion Date the Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the SGD SOR Contracts in each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:
  - (i) the aggregate RFR Value in relation to all SGD SOR Contracts exceeds the aggregate Fallback RFR Value in relation to all SGD SOR Contracts then the Cash Compensation Amount in relation to the SGD SOR Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate RFR Value in relation to all SGD SOR Contracts is less than the aggregate Fallback RFR Value in relation to all SGD SOR Contracts then the Cash Compensation Amount in relation to all SGD SOR Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated

Account, or "position account" within such Omnibus Segregated Account (as applicable).

- (c) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each Cash Compensation Amount (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay each Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of USD 1, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the applicable Conversion Cut-Off Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the SGD SOR Contracts in the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to Section 7(b) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.
- (d) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 7, which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the SGD SOR Contracts.
- (e) Each SwapClear Clearing Member agrees (and in the case of (e)(iv) below, each SwapClear Clearing Member and the Clearing House agrees):
  - (i) to use reasonable endeavors to provide each of its SwapClear Clearing Clients with (i) information on the change to the SGD SOR Contracts pursuant to the terms of Regulation 60C and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be allocated to that SwapClear Clearing Client's Individual Segregated Account, or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, and (iii) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account". Such information shall be set out in 'Risk Notices' or other materials from the Clearing House in connection with this Annex (or any applicable Floating Rate Conversion Notice(s)) expressly marked for distribution to SwapClear Clearing Clients;
  - (ii) that it, and each of SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);

- (iii) to perform all obligations and exercise all rights under or pursuant to this Annex in accordance with Applicable Law; and
- (iv) that each Cash Compensation Contract is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value impact of certain of the changes to the SGD SOR Contracts pursuant to this Annex.

## **8. DETERMINATIONS BINDING**

Subject to Section 11, all determinations and calculations made by the Clearing House pursuant to this Annex shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **9. RECORDS**

The Clearing House shall update its books and records to reflect the Cash Compensation Contracts and the amounts payable thereunder and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements. Where the Clearing House determines appropriate, the Clearing House will update its books and records or governance and booking procedures to provide that all Operational Bookings booked pursuant to this Annex do not affect the rights and obligations of SwapClear Clearing Members regardless of anything to the contrary in any reports issued by the Clearing House.

## **10. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 11.
- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Regulations and the Procedures to change the terms of any open SwapClear Contract from time to time and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.
- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Clearing Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.
- (d) Section 4 is provided for SwapClear Clearing Members operational convenience only and the Clearing House is under no obligation to update this Annex in relation to any changes in its operational or booking processes generally or in relation to the matters specified herein.

## 11. LIMITATION OF LIABILITY

11.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex;
- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex; or
- (iii) any of the operational bookings made pursuant to Section 4 of this Annex.

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

11.2 Without prejudice to the generality of Regulation 52 and clause 12.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

11.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is

under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.

- 11.4 For the avoidance of doubt, notwithstanding anything to the contrary herein, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

## 12. PROVISION OF CERTAIN DATA TO THE CLEARING HOUSE

- 12.1 In connection with the Clearing House's determination of the Cash Compensation Amounts, at 9am London time on the Conversion Cut-Off Date, or such other time as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate, each Major SGD SOR Swap Market Participant (as defined below) shall submit non-executable two-way pricing (i.e. bid and offer) for each tenor of each of the basis swaps identified in the table below:

<b>Product Type</b>	<b>Basis Swap</b>	<b>Basis Swap</b>	<b>Basis Swap</b>
Floating Leg 1 FRO	SGD-SORA	SGD-SORA	SGD-SORA
Floating Leg 1 FRO Payment Frequency	1 year	1 year	1 year
Floating Leg 2 FRO	SGD-SOR	SGD-SOR	SGD-SOR
Floating Leg 2 FRO Payment Frequency	1 month	3 months	6 months
Day Count Fraction	Act/365 for both legs	Act/365 for both legs	Act/365 for both legs
Price Quotation	Leg 1 spread	Leg 1 spread	Leg 1 spread
Required Tenors	1 Year, 2 Years, 3 Years, 4 Years and 5 Years	1 Year, 2 Years, 3 Years, 4 Years and 5 Years	1 Year, 2 Years, 3 Years, 4 Years and 5 Years

- 12.2 The pricing referred to in paragraph 12.1 shall be submitted via the SwapClear Portal in accordance with the instructions set out on the SwapClear Portal and the terms

governing use of the SwapClear Portal. Each time a Major SGD SOR Swap Market Participant submits pricing to the Clearing House it represents and warrants to the Clearing House that all price submissions have been suitably verified by appropriate members of its senior management prior to submission to the Clearing House.

- 12.3 The Clearing House shall establish representative market notional amounts for each of the basis swaps set out in paragraph 12.1 and shall notify the Major SGD SOR Swap Market Participants of such amounts ahead of the Conversion Date via member circular or such other method as the Clearing House shall determine is appropriate.
- 12.4 Once the Clearing House has received the submissions pursuant to paragraph 12.1, the Clearing House shall take the following steps with respect to each tenor of each basis swap listed in paragraph 12.1:
- (a) first, it shall rank all prices received that are bids in descending order (i.e. starting with the highest bid) and all prices received that are offers in ascending order (i.e. starting with the lowest offer) (as applicable), provided that, if two or more bids or offers are identical, the those bids or offers shall be ranked in the order in which they were first received by the Clearing House;
  - (b) second, the Clearing House shall exclude the crossing side of any crossing price submissions (meaning that if the highest bid is equal to or is greater than the lowest offer then both shall be deemed as “crossing” and be excluded, and the process repeated until all remaining bids are below all remaining offers);
  - (c) third, the Clearing House shall determine the mid-price for each tenor of each basis swap by taking the arithmetic mean of (i) the highest quarter of the remaining bids for that tenor of the relevant basis swap and (ii) the lowest quarter of the remaining offers for that tenor of the relevant basis swap. To determine the number of prices comprising the highest or lowest quarter of bids or offers (as applicable), the Clearing House will round-up to the nearest whole number of bids or offers (as applicable); and
  - (d) fourth, the Clearing House shall use the mid-prices determined pursuant to the foregoing to construct the SOR curve which the Clearing House shall use to determine the Fallback RFR Value of SGD SOR Contracts pursuant to paragraph 7(a).
- 12.5 For purposes of this paragraph 12, a "**Major SGD SOR Swap Market Participant**" is each Clearing Member or SwapClear Clearing Client who, as of the Conversion Date, satisfies the criteria to be published by the Clearing House ahead of the Conversion Date via member circular or such other method as the Clearing House shall determine is appropriate.



**SCHEDULE 7**  
**SWAPCLEAR SCM SERVICE – FLOATING RATE CONVERSION ANNEX –**  
**THB-THBFIX**

**1. SCOPE AND INTERPRETATION**

- (a) This Annex constitutes a “Floating Rate Conversion Annex” as defined in and pursuant to the Regulations and supplements and forms part of the Rulebook.
- (b) The terms of this Annex shall apply to all open SwapClear Contracts that (i) specify the In-Scope Floating Rate Option as the floating rate or use the In-Scope Floating Rate Option to calculate the floating amount thereunder and (ii) are registered with the Clearing House as of the end of the “business day” in New York on the applicable Conversion Cut-Off Date (each such SwapClear Contract, a **THB-THBFIX Contract**). For the avoidance of doubt, (A) no other SwapClear Contract shall be subject to, or affected by, the terms of this Annex and all SwapClear Contracts shall remain in full force and effect, and (B) other than as expressly set out in this Annex, the SwapClear Contract Terms shall not be amended, supplemented or modified by the terms of this Annex.
- (c) Capitalised terms used but not otherwise defined herein have the meaning given to them in the Regulations. The term "business day" has the meaning given to it in the Regulations.
- (d) The terms of this Annex relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by the Clearing House in its sole discretion through a member circular or such other method as the Clearing House shall determine is appropriate.

**2. DEFINITIONS**

For the purposes of this Annex:

**Amended THB-THBFIX Contract** means each THB-THBFIX Contract after giving effect to the amendments made pursuant to Section 3 below.

**Cash Compensation Amount** means, in relation to all THB-THBFIX Contracts that specify the In-Scope Floating Rate Option as the floating rate or use the In-Scope Floating Rate Option to calculate the floating amount thereunder in a Proprietary Account, an Individual Segregated Account, or a "position account" within an Omnibus Segregated Account, the amount determined in accordance with Section 7 below.

**Cash Compensation Contract** means each contract determined by the Clearing House and registered in the relevant Proprietary Account, Individual Segregated Account or "position account" within an Omnibus Segregated Account pursuant to Section 7 below.

**Conversion Cut-Off Date** means, with respect to a THB-THBFIX Contract, the business day immediately prior to the Conversion Date applicable to such THB-THBFIX Contract as determined in accordance with the definition of “Conversion Date” below.

**Conversion Date** means June 10, 2023, or such other date as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate.

**Fallback RFR Value** means, in relation to a THB-THBFIX Contract, the net present value, determined by the Clearing House as of the applicable Conversion Date, of all future cash flows under that THB-THBFIX Contract on the basis that such THB-THBFIX Contract is not amended pursuant to this Annex. If the net present value represents an asset or positive value for the Clearing House, such Fallback RFR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such Fallback RFR Value shall be a negative amount.

**In-Scope Floating Rate Option** means THB-THBFIX (as defined in the ISDA Definitions).

**ISDA Definitions** means the ISDA 2021 Interest Rate Definitions, as published by the International Swaps and Derivatives Association, Inc.

**Operational Straddle Period THB-THBFIX Booking** means an Operational Booking which has a “Reset Date” (as defined in the ISDA Definitions) which falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to that In-Scope Floating Rate Option and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to that In-Scope Floating Rate Option.

**Relevant Number of Business Days** means two Bangkok Business Days (as defined in the ISDA Definitions).

**RFR Value** means, in relation to a THB-THBFIX Contract, the net present value, determined by the Clearing House as of the applicable Conversion Date, of all future cash flows under that THB-THBFIX Contract on the basis that such THB-THBFIX Contract is an Amended THB-THBFIX Contract. If the net present value represents an asset or positive value for the Clearing House, such RFR Value shall be a positive amount and if the net present value represents a liability or negative value for the Clearing House, such RFR Value shall be a negative amount.

**Straddle Period THB-THBFIX Contract** means a THB-THBFIX Contract which has a “Reset Date” (as defined in the ISDA Definitions) which falls on, or prior to, the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to the In-Scope Floating Rate Option specified in that THB-THBFIX Contract and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the applicable Conversion Date.

### 3. AMENDMENTS TO THB-THBFIX CONTRACTS

- (a) Pursuant to Regulation 60C of the Regulations, with effect from, and including, the applicable Conversion Date each THB-THBFIX Contract shall be amended in accordance with this Section 3.

*Floating Rate Option:*

- (b) From and including the first Reset Date falling after the Relevant Number of Business Days from the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to the In-Scope Floating Rate Option, and notwithstanding anything to the

contrary in the SwapClear Contract Terms, including for the avoidance of doubt, any fallbacks in the ISDA Definitions in so far as they relate to such In-Scope Floating Rate Options, any references to THB-THBFIX in the SwapClear Contract Terms shall be deemed to be replaced for all purposes with THB-THOR-OIS Compound.

*Payment Date Delay:*

- (c) From and including the first Reset Date which falls on or after the Relevant Number of Business Days from the "Index Cessation Effective Date" (as defined in the ISDA Definitions) related to the In-Scope Floating Rate Option referenced in the relevant THB-THBFIX Contract, "Delayed Payment" (as defined in the ISDA Definitions) shall be "Applicable" and the number of days specified for such purposes shall be two (2) Business Days (with Business Days having the meaning specified in the terms of the original relevant THB-THBFIX Contract). The Clearing House and the SwapClear Clearing Members acknowledge and agree that pursuant to the ISDA Definitions such election means that each Payment Date (as defined in the ISDA Definitions) shall fall two (2) Business Days (with Business Days having the meaning specified in the terms of the original relevant THB-THBFIX Contract) after the relevant Period End Date or the Termination Date (each as defined in the ISDA Definitions), as applicable.

*No Observation Period Shift:*

- (d) For the avoidance of doubt, the Clearing House and the SwapClear Clearing Members acknowledge and agree that as a result of the amendment made in paragraph (b) above, each "Floating Rate" under each THB-THBFIX Contract shall be calculated over the relevant "Calculation Period" without any shift, adjustment or "observation shift" and all of the provisions relating thereto in the ISDA Definitions shall not apply to the calculation of the "Floating Rate" under each THB-THBFIX Contract.

*Consequential Amendments:*

- (e) The Clearing House shall make any consequential amendments to the terms of each THB-THBFIX Contract as it deems necessary in connection with, and to give effect to, the amendments in this Section 3.
- (f) Unless expressly referenced herein, all other terms of each THB-THBFIX Contract shall remain in full force and effect and shall continue to apply, including, but not limited to, the "Fixed Rate", "Day Count Fraction" "Business Days" and any "Spread" (each as defined in the ISDA Definitions).

#### **4. OPERATIONAL BOOKINGS**

- (a) In order to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex in the SwapClear service, the Clearing House shall record certain bookings in the SwapClear service (each an **Operational Booking**) in the manner described in this Section 4. Any bookings referred to in this Section 4 are solely to facilitate and/or reflect the legal amendments made to each SwapClear Contract pursuant to this Annex and the Clearing House and each SwapClear Clearing Member agree and acknowledge that they shall not result in the registration of any new SwapClear Contracts and shall have no legal effect and are for operational purposes only.

*Main Operational Booking*

- (b) On the applicable Conversion Date in relation to each THB-THBFIX Contract, the Clearing House shall record an Operational Booking (each an **Operational RFR Booking**) that is on the same terms as the THB-THBFIX Contract to which it relates except that, from the “Effective Date” of the Operational RFR Booking (which shall be prior to the applicable Conversion Date) any “Floating Amounts” reflected in the Operational RFR Booking shall be calculated after giving effect to the amendments made pursuant to Section 3 of this Annex. On the applicable Conversion Date in relation to a THB-THBFIX Contract, the Clearing House shall terminate the operational booking relating to that THB-THBFIX Contract that was recorded in the SwapClear service immediately prior to the applicable Conversion Date. For the avoidance of doubt, this paragraph (b) shall apply to all THB-THBFIX Contracts.

*Operational Overlay Bookings*

- (c) In addition to the Operational RFR Bookings referred to in (b) above, with respect to each Straddle Period THB-THBFIX Contract and Operational Straddle Period THB-THBFIX Booking in relation to which the SwapClear Clearing Member would receive a “Floating Amount” calculated using the In-Scope Floating Rate Option under the Straddle Period THB-THBFIX Contract or Operational Straddle Period THB-THBFIX Booking (such amount, the **THB-THBFIX Amount**), on the applicable Conversion Date the Clearing House shall record the following Operational Bookings (each an **Operational Overlay Booking**) in the SwapClear service:
- (i) an Operational Overlay Booking reflecting (X) a fixed amount that would be payable by the SwapClear Clearing Member, such amount determined by the Clearing House in its sole and absolute discretion (the **Overlay Fixed Amount**) and (Y) an amount that would be payable to the SwapClear Clearing Member equal to the THB-THBFIX Amount it would be entitled to receive under the Straddle Period THB-THBFIX Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period THB-THBFIX Booking); and
  - (ii) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable by the SwapClear Clearing Member equal to the “Floating Amount” the SwapClear Clearing Member would be entitled to receive as reflected under the related Operational RFR Booking.
- (d) In addition to the Operational RFR Bookings referred to in (b) above, with respect to each Straddle Period THB-THBFIX Contract and Operational Straddle Period THB-THBFIX Booking in relation to which the SwapClear Clearing Member would pay the THB-THBFIX Amount, on the applicable Conversion Date the Clearing House shall record the following Operational Overlay Bookings in the SwapClear service:
- (i) in relation to a Straddle Period THB-THBFIX Contract or any Operational Straddle Period THB-THBFIX Booking:

- (A) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable to the SwapClear Clearing Member and (Y) an amount that would be payable by the SwapClear Clearing Member equal to the THB-THBFIX Amount it would be obliged to pay under the Straddle Period THB-THBFIX Contract if it was not amended pursuant to Section 3 above (or, if applicable, as reflected in the Operational Straddle Period THB-THBFIX Booking); and
  - (B) an Operational Overlay Booking reflecting (X) the Overlay Fixed Amount that would be payable by the SwapClear Clearing Member and (Y) a “Floating Amount” that would be payable to the SwapClear Clearing Member equal to the “Floating Amount” that would be payable by the SwapClear Clearing as reflected under the related Operational RFR Booking,
- (e) The Operational Overlay Bookings in relation to a Straddle Period THB-THBFIX Contract and Operational Straddle Period THB-THBFIX Booking will terminate as of the time when they are no longer required for the Clearing House’s operational purposes, which is expected to be on the first Period End Date (as defined in the ISDA Definitions) after the Index Cessation Effective Date.

## **5. SUBSEQUENT ACTIONS WITH RESPECT TO OPERATIONAL BOOKINGS**

### *Subsequent Actions Generally*

- (a) If the Clearing House receives an instruction from a SwapClear Clearing Member to take a permitted action with respect to some but not all of the rights and obligations under any Amended THB-THBFIX Contract (including, but not limited to, compression) and such rights and obligations have been operationally reflected in one or more of the Operational Bookings booked in accordance with Section 4 and not terminated, then the Clearing House shall deem this to be an instruction to take the following steps contingent on the effectiveness or occurrence of the permitted action:
- (i) pursuant to its powers under Regulation 60C, register one or more new SwapClear Contract(s) in the name of that SwapClear Clearing Member with the same terms as such Operational Booking(s); and
  - (ii) amend the Amended THB-THBFIX Contract to reflect the rights and obligations remaining after giving effect to the instruction referred to above.

## **6. OBLIGATIONS TO MAKE CERTAIN CALCULATIONS AND ENTER INTO CERTAIN CONTRACTS**

Pursuant to Regulation 60C of the Regulations, this Annex sets out the method for (i) calculating the Cash Compensation Amounts (which are “Conversion Payments” for purposes of Regulation 60C), and (ii) determining the terms of the Cash Compensation Contracts which shall be registered in order to effect the payment of the Cash Compensation Amounts.

- 7. DETERMINATION OF THE CASH COMPENSATION AMOUNT AND THE CASH COMPENSATION CONTRACTS FOLLOWING THE CONVERSION**
- (a) On the applicable Conversion Date the Clearing House shall calculate the following amounts:
- (i) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the THB-THBFIX Contracts registered in each Proprietary Account as of the end of the business day in New York on the applicable Conversion Cut-Off Date;
  - (ii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the THB-THBFIX Contracts registered in each Individual Segregated Account as of the end of the business day in New York on the applicable Conversion Cut-Off Date; and
  - (iii) the aggregate Fallback RFR Value and the aggregate RFR Value in relation to all of the THB-THBFIX Contracts registered in each "position account" within each Omnibus Segregated Account as of the end of the business day in New York on the Conversion Cut-Off Date.
- (b) On the applicable Conversion Date the Clearing House shall determine a single Cash Compensation Amount separately in respect of all of the THB-THBFIX Contracts in each Proprietary Account, each Individual Segregated Account, and each "position account" within each Omnibus Segregated Account as follows. If:
- (i) the aggregate RFR Value in relation to all THB-THBFIX Contracts exceeds the aggregate Fallback RFR Value in relation to all THB-THBFIX Contracts then the Cash Compensation Amount in relation to the THB-THBFIX Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the SwapClear Clearing Member in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable); and
  - (ii) the aggregate RFR Value in relation to all THB-THBFIX Contracts is less than the aggregate Fallback RFR Value in relation to all THB-THBFIX Contracts then the Cash Compensation Amount in relation to all THB-THBFIX Contracts shall be equal to the absolute value of the excess, and shall be an amount in favor of the Clearing House in relation to such Proprietary Account, Individual Segregated Account, or "position account" within such Omnibus Segregated Account (as applicable).
- (c) The Clearing House shall, pursuant to Regulation 60C, register a separate Cash Compensation Contract in each Proprietary Account, each Individual Segregated Account and each "position account" within an Omnibus Segregated Account in relation to each Cash Compensation Amount (to the extent such amounts are applicable to such account or "position account"). Each SwapClear Clearing Member and the Clearing House (as applicable) irrevocably agrees that it shall be bound to pay each Cash Compensation Amount to the other pursuant to the terms of the related Cash Compensation Contract. Each Cash Compensation Contract shall be registered for the sole purpose of effecting the payment of the Cash Compensation Amount to which it

relates. It shall operationally be recorded as having a "Notional Amount" (as defined in the SwapClear Contract Terms) of USD 1, a "Termination Date" (as defined in the SwapClear Contract Terms) falling two "business days" after the applicable Conversion Cut-Off Date, and an obligation on the Clearing House or the SwapClear Clearing Member (as applicable) to pay to the other on that "Termination Date" an amount equal to the Cash Compensation Amount related to the THB-THBFIX Contracts in the relevant Proprietary Account, Individual Segregated Account, or "position account" within the relevant Omnibus Segregated Account, in each case as determined pursuant to Section 7(b) above. However, neither the Clearing House nor a SwapClear Clearing Member shall be required to pay any amounts under a Cash Compensation Contract other than the Cash Compensation Amount to which such Cash Compensation Contract relates.

- (d) Each SwapClear Clearing Member agrees to be bound by each Cash Compensation Contract registered pursuant to this Section 7, which shall, when registered, constitute a SwapClear Contract between the Clearing House and the relevant SwapClear Clearing Member that has arisen by reason of the application of the Regulations to the THB-THBFIX Contracts.
- (e) Each SwapClear Clearing Member agrees (and in the case of (e)(iv) below, each SwapClear Clearing Member and the Clearing House agrees):
  - (i) to use reasonable endeavors to provide each of its SwapClear Clearing Clients with (i) information on the change to the THB-THBFIX Contracts pursuant to the terms of Regulation 60C and this Annex, (ii) information on the amounts payable pursuant to the terms of the Cash Compensation Contracts which may be allocated to that SwapClear Clearing Client's Individual Segregated Account, or "position account" within an Omnibus Segregated Account pursuant to the terms of this Annex, and (iii) other information (indicative or otherwise) in relation to each SwapClear Clearing Client's "position account". Such information shall be set out in 'Risk Notices' or other materials from the Clearing House in connection with this Annex (or any applicable Floating Rate Conversion Notice(s)) expressly marked for distribution to SwapClear Clearing Clients;
  - (ii) that it, and each of SwapClear Clearing Client, shall be bound by the terms of any Cash Compensation Contracts registered pursuant to this Annex and all payment obligations thereunder (as determined by the Clearing House pursuant to this Annex);
  - (iii) to perform all obligations and exercise all rights under or pursuant to this Annex in accordance with Applicable Law; and
  - (iv) that each Cash Compensation Contract is being registered in the relevant account in connection with the matters specified in this Annex and the obligations thereunder are for the sole purpose of addressing the value impact of certain of the changes to the THB-THBFIX Contracts pursuant to this Annex.

## **8. DETERMINATIONS BINDING**

Subject to Section 11, all determinations and calculations made by the Clearing House pursuant to this Annex shall be binding and may in no circumstances (other than in the case of manifest error) be called into question by any person.

## **9. RECORDS**

The Clearing House shall update its books and records to reflect the Cash Compensation Contracts and the amounts payable thereunder and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of the Clearing House in such manner as the Clearing House determines is necessary to meet its operational requirements. Where the Clearing House determines appropriate, the Clearing House will update its books and records or governance and booking procedures to provide that all Operational Bookings booked pursuant to this Annex do not affect the rights and obligations of SwapClear Clearing Members regardless of anything to the contrary in any reports issued by the Clearing House.

## **10. MISCELLANEOUS**

- (a) The obligations of the Clearing House to each SwapClear Clearing Member shall be to perform its obligations as principal to such SwapClear Clearing Member in accordance with the Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the Rulebook and Section 11.
- (b) The terms of this Annex are without prejudice to the Clearing House's rights under the Regulations and the Procedures to change the terms of any open SwapClear Contract from time to time and such terms shall not be relevant or binding on the Clearing House in respect of any such changes.
- (c) The performance by the Clearing House of its obligations hereunder shall always be subject to the provisions of the Rulebook. The benefit of the performance by the Clearing House of its obligations under this Annex is conferred upon SwapClear Clearing Members only, as principal, and a person who is not a party to the Rulebook has no right under Contracts (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any term of this Annex.
- (d) Section 4 is provided for SwapClear Clearing Members operational convenience only and the Clearing House is under no obligation to update this Annex in relation to any changes in its operational or booking processes generally or in relation to the matters specified herein.

## **11. LIMITATION OF LIABILITY**

- 11.1 Without prejudice to the generality of Regulation 52, each SwapClear Clearing Member agrees:
  - (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) whether in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action, and whether in respect of any damages, loss



or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and

- (b) to waive any claim against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with:

- (i) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by the Clearing House or any other member of the LCH Group in connection with this Annex;
- (ii) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Annex; or
- (iii) any of the operational bookings made pursuant to Section 4 of this Annex.

except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

- 11.2 Without prejudice to the generality of Regulation 52 and clause 11.1 above, each SwapClear Clearing Member further agrees:

- (a) that neither the Clearing House nor any other member of the LCH Group will have any liability whatsoever to any SwapClear Clearing Member or any other person (including, without limitation, any SwapClear Clearing Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against the Clearing House or any member of the LCH Group;

arising or that may arise in connection with the Clearing House's performance of its contractual duties or obligations under this Annex, except in the case of fraud or wilful misconduct on the part of the Clearing House or any other member of the LCH Group.

- 11.3 Each SwapClear Clearing Member agrees that neither the Clearing House nor any other member of the LCH Group (i) owes any duty of care to any person in connection with the performance of the Clearing House's duties or obligations or exercise of its rights under this Annex, save for the express contractual duties set forth in this Annex; (ii) is under any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a SwapClear Clearing Member in connection with this Annex; (iii) is acting as a fiduciary for, or as an advisor to, any SwapClear Clearing Member or SwapClear Clearing Client in connection with this Annex or any SwapClear Contract registered as a result of the matters specified in this Annex; (iv) shall be under any requirement to consult with, or individually notify (other than as expressly set out in this Annex), a SwapClear Clearing Member or SwapClear Clearing Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Annex; or (v) has made any representation, express or implied, in relation to this Annex, and

each SwapClear Clearing Member acknowledges that it has not relied on any representations made by the Clearing House or any other member of the LCH Group in relation to this Annex.

- 11.4 For the avoidance of doubt, notwithstanding anything to the contrary herein, neither the Clearing House nor any other member of the LCH Group shall be liable for any obligations of, or to any person who is not, a SwapClear Clearing Member.

## 12. PROVISION OF CERTAIN DATA TO THE CLEARING HOUSE

- 12.1 In connection with the Clearing House's determination of the Cash Compensation Amounts, at 9am London time on the Conversion Cut-Off Date, or such other time as may be specified by the Clearing House from time to time through a member circular or such other method as the Clearing House shall determine is appropriate, each Major THB-THBFIX Swap Market Participant (as defined below) shall submit non-executable two-way pricing (i.e. bid and offer) for each tenor of each of the basis swaps identified in the table below:

<b>Product Type</b>	<b>Basis Swap</b>
Floating Leg 1 FRO	THB-THOR-OIS Compound
Floating Leg 1 FRO Payment Frequency	3 months
Floating Leg 2 FRO	THB-THBFIX
Floating Leg 2 FRO Payment Frequency	6 months
Day Count Fraction	Act/365 for both legs
Price Quotation	Leg 1 spread
Required Tenors	1 Year, 2 Years, 3 Years, 4 Years and 5 Years

- 12.2 The pricing referred to in paragraph 12.1 shall be submitted via the SwapClear Portal in accordance with the instructions set out on the SwapClear Portal and the terms governing use of the SwapClear Portal. Each time a Major THB-THBFIX Swap Market Participant submits pricing to the Clearing House it represents and warrants to the Clearing House that all price submissions have been suitably verified by appropriate members of its senior management prior to submission to the Clearing House.
- 12.3 The Clearing House shall establish representative market notional amounts for each of the basis swaps set out in paragraph 12.1 and shall notify the Major THB-THBFIX Swap Market Participants of such amounts ahead of the Conversion Date via member circular or such other method as the Clearing House shall determine is appropriate.
- 12.4 Once the Clearing House has received the submissions pursuant to paragraph 12.1, the Clearing House shall take the following steps with respect to each tenor of each basis swap listed in paragraph 12.1:
- (a) first, it shall rank all prices received that are bids in descending order (i.e. starting with the highest bid) and all prices received that are offers in ascending

order (i.e. starting with the lowest offer) (as applicable), provided that, if two or more bids or offers are identical, the those bids or offers shall be ranked in the order in which they were first received by the Clearing House;

- (b) second, the Clearing House shall exclude the crossing side of any crossing price submissions (meaning that if the highest bid is equal to or is greater than the lowest offer then both shall be deemed as “crossing” and be excluded, and the process repeated until all remaining bids are below all remaining offers);
- (c) third, the Clearing House shall determine the mid-price for each tenor of each basis swap by taking the arithmetic mean of (i) the highest quarter of the remaining bids for that tenor of the relevant basis swap and (ii) the lowest quarter of the remaining offers for that tenor of the relevant basis swap. To determine the number of prices comprising the highest or lowest quarter of bids or offers (as applicable), the Clearing House will round-up to the nearest whole number of bids or offers (as applicable); and
- (d) fourth, the Clearing House shall use the mid-prices determined pursuant to the foregoing to construct the THB-THBFIX curve which the Clearing House shall use to determine the Fallback RFR Value of THB-THBFIX Contracts pursuant to paragraph 7(a).

12.5 For purposes of this paragraph 12, a "**Major THB-THBFIX Swap Market Participant**" is each Clearing Member or SwapClear Clearing Client who, as of the Conversion Date, satisfies the criteria to be published by the Clearing House ahead of the Conversion Date via member circular or such other method as the Clearing House shall determine is appropriate.