# FCM REGULATIONS OF THE CLEARING HOUSE

# LCH LIMITED

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(a) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the FCM Rulebook via the FCM Listed Interest Rates Open Offer clearing mechanism (and not via novation under FCM Regulation 54); and....27

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## Scope

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

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

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

## REGULATION 1 DEFINITIONS

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

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| **"30.7 customer**" | means "30.7 customer" as that term is defined in CFTC Regulation 30.1(f). |
| "**ACSP Compression Cycle**" | means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by FCM Clearing Members and FCM Clients in accordance with the provisions of Regulations 46(m) and relevant Compression Documentation. |
| "**Account Manager Executing Party**" | means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated FCM SwapClear Transactions and/or Unallocated FCM ForexClear Transactions. |
| "**Affected Client**" | means a client of an FCM Clearing Member (or potential client of an FCM Clearing Member) in respect of which the application of laws or regulations in the client's jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit EMIR Client Clearing being provided to such client. |
| "**Aggregate Excess Loss**" | has the meaning assigned to it in the Clearing House's "**General Regulations**". |
| "**Allocation Notice**" | means a message delivered to the Clearing House which contains the following information: (i) details of the Client Account, FCM Client Sub-Account or the Proprietary Account of the Post-Allocation Clearing Member to which an Unallocated FCM SwapClear Contract should be allocated; (ii) the amount of notional value of the Unallocated FCM SwapClear Contract to be allocated to each such Client Account, FCM Client Sub-Account or Proprietary Account of the Post-Allocation Clearing Member; and (iii) confirmation of the Unallocated FCM SwapClear Contract to which the Allocation Notice relates. Any additional information contained in the Allocation Notice (including any economic details) shall be disregarded by the Clearing House. |
| "**Approved Compression Services Provider**" or "**ACSP**" | means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible FCM SwapClear Contracts in accordance with Regulation 46 and relevant Compression Documentation |

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| "**Applicable Law**" | means any applicable statute, law, ordinance, regulation, rule and other instruments in force from time to time, including the rules, codes or practice of a Governmental Authority or Regulatory Body. |
| **"Approved LCH SDR"** | means any swap data repository approved by the Clearing House from time to time for the submission of swap data by FCMs. |
| "**Assumed Allocation**" | has the meaning assigned to it in FCM Regulation 15(d)(iii). |
| "**Auction Portfolio**" | has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable. |
| "**Authorised Compression Client**" | means an FCM Client that is party to relevant Compression Documentation and in respect of which the relevant Compression Clearing Member is authorised to provide and receive instructions (including the acceptance of a Compression Proposal) on behalf of such FCM Client and in respect of which the relevant ACSP notified the Clearing House that such FCM Clearing Member acts for such FCM Client. |
| "**Available FCM Buffer**" | means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not Encumbered FCM Buffer (as described in FCM Regulation 15(c)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 15(d)(iv)). |
| "**Backload Registration Cycle**" | has the meaning assigned to such term in the FCM Procedures. |
| "**Backloaded Trade**" | has the meaning assigned to such term in the FCM Procedures. |
| "**Base Currency**" | has the meaning assigned to such term in FCM Regulation 37(d)(ii). |
| **"Base Currency Equivalent"** | has the meaning assigned to such term in FCM Regulation 37(d)(ix). |
| "**Block IRS Trade**" | means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant |

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| | to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration. |
| **"Bulk Event"** | has the meaning assigned to it in FCM Regulation 46(f). |
| **"Bulk Event Cycle"** | has the meaning assigned to it in FCM Regulation 46(f). |
| "**Business Category of FCM Contract**" | means a category of one or more Products which the Clearing House treats as separate from other Products for purposes of calculating the amount of Margin required to be furnished by an FCM Clearing Member (as set forth in the FCM Procedures) in respect of the FCM Contracts in each such category and, except to the extent otherwise set forth in the FCM Procedures, such separate margin categories consist of: (1) FCM SwapClear Contracts (referred to in the FCM Rulebook as the "**SwapClear Business Category**"), (2) FCM ForexClear Contracts (referred to in the FCM Rulebook as the "**ForexClear Business Category);** and (3) FCM Listed Interest Rates Contracts (referred to in the FCM Rulebook as the "**Listed Interest Rates Business Category**"). |
| "**Business Day**" | means, in respect of an FCM Contract (except where specified otherwise in the relevant FCM SwapClear Contract Terms, FCM ForexClear Contract Terms or FCM Listed Interest Rates Terms, as applicable), a day on which the Clearing House is open for business as set forth in the FCM Procedures. |
| "**Buyer**" | means an FCM Clearing Member (or the Clearing House where the context so requires) who is a buyer under the terms of, as applicable, an FCM Option Contract, a Physically-Settled FCM Contract or an FCM Contract Subject to Delivery Notice. |
| "**Carrying Clearing Member**" | Means (i) an FCM Clearing Member that carries a Transfer Account from which Transferring SwapClear Contracts and the relevant Associated Collateral Balance(s) may be transferred to the Transfer Account of a Receiving Clearing Member (capitalized terms used in this sub-paragraph (i) having the meanings set out in the UK General Regulations, as modified by FCM Regulation 46(p)) or (ii) in respect of a transfer as described in sub-paragraph (b) of the definition of "Receiving Clearing Member", a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member)(and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa). |
| "**Cash-Settled FCM** | means an FCM Exchange Contract or FCM Listed Interest |

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| **Contract**" | Rates Contract that is to be settled by cash-settlement only. |
| "**CEA**" | means the U.S. Commodity Exchange Act. |
| "**CFTC**" | means the U.S. Commodity Futures Trading Commission. |
| "**CFTC Regulations**" | means the rules and regulations promulgated by the CFTC. |
| "**Cleared Swap**" | means "Cleared Swap" as such term is defined in CFTC Regulation 22.1, which term includes but is not limited to Swap Products. |
| "**Cleared Swaps Account Class**" | means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA. |
| "**Cleared Swaps Customer Account**" | means "Cleared Swaps Customer Account" as such term is defined in CFTC Regulation 22.1. |
| "**Clearing House**" | means LCH Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom. |
| **"Clearing House Data"** | means the data or data products (or any part of such) made available by or on behalf of the Clearing House or any of its group undertakings, which shall include any or derived data created or developed based on or as a result of such data or data products |
| "**Client Account**" | has the meaning assigned to it in the General Regulations. |
| "**Closing-out Contract**" | means, for the purposes of these FCM Regulations, an FCM Contract effected by or on behalf of the Clearing House and registered in an FCM Clearing Member's name, being an FCM Contract on the same terms (except as to price) as an Open FCM Contract in the FCM Clearing Member's name, save that where the Clearing House has position "X" under the terms of such open FCM Contract (where such FCM Contract consists of positions "X" and "Y"), the Clearing House shall have position "Y" under the terms of such closing-out FCM Contract, and vice-versa. |
| "**CMS**" | means the Clearing House's collateral management system |
| "**Collateral**" | means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member's Proprietary Account or its FCM Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM |

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| | Contracts for such accounts, **provided, that** "Collateral" shall not include any Settlement Payment, to the extent such Settlement Payment is transferred in accordance with the FCM Regulations. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other noncash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House. For the avoidance of doubt, Collateral will not include, and will not be comprised of, an FCM Clearing Member's Contribution. |
| "**Commodity**" **or** "**commodity**" | means any "commodity" (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract or an FCM Listed Interest Rates Contract. |
| "**Contribution**" | has the meaning assigned to it in the UK General Regulations, and as used herein refers to one or more of the Contributions of one or more FCM Clearing Members or Non-FCM Clearing Members, as the context may require. |
| "**Compression Clearing Member**" | has the meaning assigned to it in Regulation 46(n) |
| "**Compression Documentation**" | means such documentation as may be prescribed from time to time by the Clearing House and/or any ACSP (where applicable) in relation to a Multilateral Compression Cycle or a Compression Clearing Member's participation in Multilateral Compression services, including:<br>(i) for a Member Compression Cycle, such agreements and documents as the Clearing House may require from all relevant Compression Clearing Members in relation to Multilateral Compression in accordance with the relevant Compression Proposal;<br>(ii) for an ACSP Compression Cycle, such agreements and documents as may be required by the nominated ACSP and/or the Clearing House in order to allow a Compression Clearing Member to receive the services of the ACSP and participate in that ACSP Compression Cycle; and<br>(iii) such other documentation as the Clearing House may prescribe from time to time in FCM Procedures, user manuals or other guidance documentation regarding Multilateral Compression. |
| **"Compression Proposal"** | means, in relation to any Multilateral Compression Cycle, the final statement as to the proposed set of Terminating FCM SwapClear Contracts and the proposed set of resulting |

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| | Post-Multilateral Compression Contracts, and, in relation to a Compression Clearing Member, references to Compression Proposal shall relate to such Terminating FCM SwapClear Contracts and Post-Multilateral Compression Contracts to which such Compression Clearing Member is or will become party. |
| **"Compression Time"** | means, on the date designated by the Clearing House for a Multilateral Compression Cycle, the time at which the Clearing House effects a Multilateral Compression by terminating the Terminating FCM SwapClear Contracts and simultaneously registering the Post-Multilateral Compression Contracts in the names of the Compression Clearing Members participating in that Multilateral Compression Cycle in accordance with the Compression Proposal. |
| "**Coupons**" | has the meaning assigned to such term in the FCM Procedures |
| "**cover**" | means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook. |
| "**CVR**" or "**Collateral Value Report**" | has the meaning assigned to it in FCM Regulation 15(d)(ii). |
| "**Cumulative Variation Settlement**" | has the meaning assigned to it in the FCM Procedures. |
| "**Default**" | has the meaning assigned to it in the UK General Regulations. |
| "**Defaulter**" | has the meaning assigned to it in rule 4 of the Default Rules. |
| "**Default Notice**" | has the meaning assigned to it in rule 3 of the Default Rules. |
| "**Default Rules**" | means the Clearing House's Default Rules from time to time in force pursuant to part II of schedule 21 to the UK Companies Act 1989. |
| "**Defaulting ForexClear Service Clearing Member**" | has the meaning assigned to it in the UK General Regulations. |
| "**Defaulting Rates Service Clearing Member**" | has the meaning assigned to it in the UK General Regulations. |
| "**Delivery Month**" | has the meaning ascribed to it in: (i) the relevant Exchange Rules in respect of an FCM Exchange Contract; and (ii) the relevant provisions of the FCM Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract. |

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| "**Delivery Notice**" | means a notice in writing, given by or on behalf of a Seller (or Buyer where required pursuant to, as applicable, Exchange Rules, these FCM Regulations and/or the FCM Procedures), of the Seller's (or Buyer's) intention to make (or take) delivery of a commodity in connection with a Physically-Settled FCM Contract. |
| "**Depository**" | means a collateral agent, custodian, central securities depository, securities settlement system or other similar entity |
| "**designated contract market**" | means a board of trade designated as such by the CFTC pursuant to Section 5 and 6(a) of the CEA. |
| "**Designated FCM Listed Interest Rates Contract**" | has the meaning ascribed to it in FCM Regulation 57(b). |
| "**Designated Rates Exchange**" | has the meaning ascribed to it in FCM Regulation 57(a). |
| "**Economic Terms**" | means that part of the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms, or the FCM Listed Interest Rates Contract Terms designated as Economic Terms by the Clearing House from time to time. |
| **"Eligible FCM ForexClear Compression Contracts"** | has the meaning ascribed to it in Regulation 49(o)(i). |
| **"Eligible FCM SwapClear Compression Contract"** | has the meaning ascribed to it in Regulation 46(n)(i). |
| "**EMIR Client Clearing**" | means the provision of Client Clearing Services on an Individual Segregated Account or Omnibus Segregated Account basis as set out in the Regulation 10 and Regulation 11 of the UK General Regulations (capitalized terms used and not otherwise defined herein bearing the same meanings set out in the UK General Regulations). |
| "**Encumbered FCM Buffer**" | has the meaning assigned to it in FCM Regulation 15(c)(ii). |
| "**Exchange**" | means an organization (whether an exchange, association, company, corporation, limited partnership or otherwise), including a designated contract market and a foreign board of trade (whether registered as such with the CFTC), responsible for administering a futures, options, or stock market (in its capacity as the administrator of such a market), to which the Clearing House provides FCM Clearing Services. The term "**Exchange**" shall include a Rates Exchange, save where the context otherwise requires. |
| "**Exchange Board**" | means the board of directors or other governing body (whether called a board, a committee or otherwise) of an |

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| | Exchange. |
| "**Exchange Rules**" | means the rules, regulations, administrative procedures, memorandum and articles of association, charter, certificate of incorporation, by-laws or similar constituent documents which regulate an Exchange and the market administered by it as notified from time to time to the Clearing House and, without prejudice to the generality of the foregoing, any regulations or directions made by its Board and any procedures, practices and administrative requirements of the Exchange. The term "**Exchange Rules**" shall include Rates Exchange Rules, save where the context otherwise requires. |
| "**Excess Margin**" | means, in respect of (i) an FCM Client Sub-Account (excluding FCM Buffer and Encumbered FCM Buffer); (ii) an FCM Clearing Member's Proprietary Account; (iii) an FCM Omnibus Futures Client Account with LCH; or (iv) an FCM Omnibus Foreign Futures Client Account with LCH, the amount (if any) by which the Margin attributable to any such account exceeds the Required Margin applicable to the FCM Contracts registered to such account each as determined by the Clearing House in accordance with the FCM Rulebook. |
| "**Executing Party**" | means each person described as a party to an FCM Transaction in the details presented to the Clearing House via the relevant FCM Clearing Member and/or via the relevant FCM Approved Trade Source System. |
| "**Expiry Month**" | has the meaning ascribed to it in: (i) the relevant Exchange Rules in respect of an FCM Exchange Contract that is an FCM Option Contract; and (ii) the relevant provisions of the FCM Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract that is an FCM Option Contract. |
| "**FCM**" | means a futures commission merchant, as defined in the CEA and the CFTC Regulations promulgated thereunder, that is registered in such capacity with the CFTC. |
| "**FCM Approved Trade Source System**" | means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade affirmation or routing system or other similar venue or system, approved by the Clearing House for submitting or presenting FCM Transactions to the Clearing House. For the avoidance of doubt, the "**ClearLink API**" is not an FCM Approved Trade Source System. |
| "**FCM Buffer**" | has the meaning assigned to such term in FCM Regulation 15(a). |

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| "**FCM Buffer Sub-Account**" | has the meaning assigned to such term in FCM Regulation 15(a). |
| "**FCM Clearing Member**" | means an FCM that has been approved by the Clearing House for the clearing of one or more categories of FCM Contracts on behalf of FCM Clients, in accordance with an FCM Clearing Membership Agreement and the FCM Procedures, and pursuant to these FCM Regulations, and as such is a "**Clearing Member**" for all purposes under the Default Rules and the FCM Default Fund Agreement, unless otherwise specified in these FCM Regulations. |
| "**FCM Clearing Membership Agreement**" | means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available clearing services to an FCM Clearing Member in respect of FCM Contracts together with any ancillary agreements. |
| "**FCM Clearing Services**" | means the FCM SwapClear Clearing Services, the FCM ForexClear Clearing Services and the FCM Listed Interest Rates Clearing Services, collectively. |
| "**FCM Client**" | means a client of an FCM Clearing Member with positions in FCM Contracts on behalf of which the FCM Clearing Member provides FCM Clearing Services and clears FCM Contracts; **provided**, **that** any such client is only an FCM Client with respect to its positions in FCM Contracts; **and provided, further, that** any entity whose account would be considered a Cleared Swaps Proprietary Account pursuant to CFTC Regulation 22.1 or a proprietary account pursuant to CFTC Regulation 1.3(y) if such account were carried by an FCM Clearing Member (such as in the case of an affiliate), shall not be an "FCM Client" of any such FCM Clearing Member. |
| "**FCM Client Business**" | means the provision of FCM Clearing Services by an FCM Clearing Member to its FCM Clients. |
| **"FCM Client Default**" | has the meaning assigned to such term in the FCM Procedures |
| "**FCM Client Funds**" | means all FCM Swaps Client Funds and/or FCM Futures Client Funds and/or FCM Foreign Futures Client Funds, as the context may require. |
| "**FCM Client Segregated Depository Account**" | means an FCM Swaps Client Segregated Depository Account or an FCM Futures Client Segregated Depository Account or an FCM Foreign Futures Client Secured Amount Depository Account, as the context may require. |
| "**FCM Client Sub-Account**" | means an individual segregated sub-account on behalf of an individual FCM Client, established on the books of the |

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| | Clearing House as a sub-account of the relevant FCM Omnibus Swaps Client Account with LCH of an FCM Clearing Member which shall reflect the relevant Margin balance attributable to such sub-account, and the relevant FCM Contracts registered to such sub-account and carried for such FCM Client by its FCM Clearing Member, based on information provided by the applicable FCM Clearing Member and/or an FCM Approved Trade Source System to the Clearing House. Each FCM Client will have an FCM Client Sub-Account in the relevant FCM Omnibus Swaps Client Account with LCH for each Business Category of FCM Contracts in which such FCM Client clears Swap Products. |
| "**FCM Client Sub-Account Balance**" | means, at any given time, the legally segregated value of the Margin balance attributable to an FCM Client Sub-Account of the relevant FCM Client as determined by the Clearing House in accordance with the FCM Rulebook. For the avoidance of doubt, an FCM Client Sub-Account Balance at no time reflects the value of any FCM Buffer (including any Encumbered FCM Buffer) or the value of any Unallocated Excess. |
| "**FCM Contract**" | means an FCM SwapClear Contract, an FCM ForexClear Contract, an FCM Exchange Contract, or an FCM Listed Interest Rates Contract. "**FCM Contracts**" means FCM SwapClear Contracts, FCM ForexClear Contracts, FCM Exchange Contracts and FCM Listed Interest Rates Contracts, collectively. |
| "**FCM Contract Subject to Delivery Notice**" | means a Physically-Settled FCM Contract in respect of which a Delivery Notice has been given, and which has not been closed out, settled or invoiced back, in accordance with the FCM Rulebook. |
| "**FCM Contract Terms**" | means the FCM SwapClear Contract Terms, the FCM ForexClear Contract Terms and the FCM Listed Interest Rates Contract Terms, collectively. |
| "**FCM Default Fund Agreement**" | means an agreement in a form prescribed by the Clearing House, entered into between an FCM Clearing Member and the Clearing House relating to the "default funds" of the Clearing House. |
| "**FCM Eligible Trading Venue**" | means:<br>(i) in respect of an FCM Rates Service Clearing Member, an FCM Trading Venue for which the Clearing House's records reflect that such FCM Rates Service Clearing Member has completed the Clearing House's process for enabling the FCM Rates Service Clearing Member to be eligible to present (or have |

presented on its behalf) to the Clearing House for registration a transaction executed on such FCM Trading Venue by a third party Executing Party; and

(ii) in respect of an FCM ForexClear Clearing Member, an FCM Trading Venue for which the Clearing House's records reflect that such FCM ForexClear Clearing Member has completed the Clearing House's process for enabling the FCM ForexClear Clearing Member to be eligible to present (or have presented on its behalf) to the Clearing House for registration a transaction executed on such FCM Trading Venue by a third party Executing Party.

"**FCM Eligible Trading Venue Transaction**" means:

(i) in respect of an FCM Rates Service Clearing Member, an FCM Transaction recorded in the Clearing House's systems (via applicable messaging from the FCM Trading Venue, FCM Approved Trade Source System or otherwise) as an FCM Transaction executed on an FCM Trading Venue that, as at the time of such execution, was an FCM Eligible Trading Venue in respect of such FCM Rates Service Clearing Member; and

(ii) in respect of an FCM ForexClear Clearing Member, an FCM Transaction recorded in the Clearing House's systems (via applicable messaging from the FCM Trading Venue, FCM Approved Trade Source System or otherwise) as an FCM Transaction executed on an FCM Trading Venue that, as at the time of such execution, was an FCM Eligible Trading Venue in respect of such FCM ForexClear Clearing Member.

"**FCM Exchange Contract**" means an FCM Contract arising out of an FCM Exchange Transaction executed on a market administered by an Exchange in accordance with the Exchange Rules of the relevant Exchange.

"**FCM Exchange Transaction**" means a transaction entered on, or subject to, the Exchange Rules of the relevant Exchange of which particulars are to be presented to the Clearing House for registration as (i) an FCM Exchange Contract in the name of the relevant FCM Clearing Member in accordance with the relevant Exchange Rules, and the FCM Regulations and FCM Procedures and (ii) as applicable, as either (A) a second such FCM Exchange Contract or (B) a "Cleared Exchange Contract" with a Non-FCM Clearing Member governed by the UK

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| | General Regulations. |
| "**FCM Foreign Futures Client Funds**" | means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Foreign Futures Products or other Foreign Futures/Options Contracts. |
| "**FCM Foreign Futures Client Secured Amount Depository Account**" | means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable "PPS Accounts", which are described in the FCM Procedures), which is maintained in accordance with Part 30 of the CFTC Regulations, and which contains the FCM Foreign Futures Client Funds of its FCM Clients held in connection with Foreign Futures Products or other Foreign Futures/Options Contracts (and, if applicable, the funds of other 30.7 customers of an FCM Clearing Member held in connection with other Foreign Futures/Options Contracts). |
| "**FCM ForexClear Clearing Member**" | means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM ForexClear Transactions and register FCM ForexClear Contracts. |
| "**FCM ForexClear Clearing Services**" | means the services provided by an FCM Clearing Member in connection with FCM ForexClear Contracts cleared on behalf of its FCM Clients. |
| "**FCM ForexClear Contract**" | means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM ForexClear Contract Terms, and which is governed by these FCM Regulations. |
| "**FCM ForexClear Contract Terms**" | means the terms applicable to each FCM ForexClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| "**FCM ForexClear Product Eligibility Criteria**" | means the product criteria set out in paragraph 2 of Part B of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| **"FCM ForexClear Suspension Sub-Account"** | means the FCM Client Sub-Account of a Pre-Allocation FCM Clearing Member that has been established by the FCM ForexClear Clearing Member to register Unallocated FCM ForexClear Contracts. |
| "**FCM ForexClear Transaction**" | means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM ForexClear Contract, and the other side of such transaction |

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| | registered with the Clearing House as either an FCM ForexClear Contract or a Non-FCM ForexClear Contract. |
| "**FCM Futures Client Funds**" | means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Futures Products or other Futures/Options Contracts. |
| "**FCM Futures Client Segregated Depository Account**" | means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable "PPS Accounts", which are described in the FCM Procedures), which is segregated in accordance with Section 4d(a) of the CEA and the CFTC Regulations, and which contains the FCM Futures Client Funds of its FCM Clients held in connection with Futures Products or other Futures/Options Contracts (and, if applicable, the funds of other futures customers of an FCM Clearing Member held in connection with other Futures/Options Contracts). |
| "**FCM Joint Rates Service Clearing Member**" | means an FCM Clearing Member that provides FCM SwapClear Clearing Services and FCM Listed Interest Rates Clearing Services. |
| "**FCM Listed Interest Rates Business**" | means any transaction, obligation or liability arising out of an FCM Listed Interest Rates Contract. |
| "**FCM Listed Interest Rates Clearing Member**" | means an FCM Clearing Member approved by the Clearing House (in accordance with the FCM Regulations and the FCM Procedures) to clear FCM Listed Interest Rates Transactions and register FCM Listed Interest Rates Contracts. |
| "**FCM Listed Interest Rates Clearing Services**" | means the services provided by an FCM Clearing Member in connection with FCM Listed Interest Rates Contracts cleared on behalf of its FCM Clients. |
| "**FCM Listed Interest Rates Contract**" | means a Foreign Futures/Options Contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM Listed Interest Rates Contract Terms, and which is governed by these FCM Regulations. |
| "**FCM Listed Interest Rates Contract Terms**" | means (i) in respect of an FCM Listed Interest Rates Contract other than a Designated FCM Listed Interest Rates Contract, the terms set out from time to time in the relevant Rates Exchange Rules; or (ii) in respect of a Designated FCM Listed Interest Rates Contract, the terms applicable to each FCM Listed Interest Rates Contract as set out from time to time in the FCM Product Specific Contract Terms |

and Eligibility Criteria Manual.

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| "**FCM Listed Interest Rates Eligibility Criteria**" | means the FCM Listed Interest Rates Open Offer Eligibility Criteria or the FCM Listed Interest Rates Novation Transaction Eligibility Criteria (as applicable). |
| "**FCM Listed Interest Rates Eligible Product**" | means a product traded under the rules of a Rates Exchange which such Rates Exchange has agreed from time to time with the Clearing House to be cleared by the Clearing House pursuant to the FCM Regulations. |
| "**FCM Listed Interest Rates Novation Transaction**" | means, in respect of a Rates Exchange, the matched Rates Exchange Particulars representing a bilateral transaction and either:<br>(i) concluded other than through the order book of the relevant Rates Exchange; or<br>(ii) concluded through an order book of the Rates Exchange, and<br>in each case:<br>(a) entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM Listed Interest Rates Contract, and the other side of such transaction registered with the Clearing House as either an FCM Listed Interest Rates Contract or a Non-FCM Listed Interest Rates Contract; and<br>(b) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the FCM Rulebook via novation under FCM Regulation 54 (and not via the FCM Listed Interest Rates Open Offer clearing mechanism). |
| "**FCM Listed Interest Rates Open Offer**" | means the open offer made by the Clearing House in respect of a Rates Exchange Match under FCM Regulation 53. . |
| "**FCM Listed Interest Rates Open Offer Eligibility Criteria**" | has the meaning set out in FCM Regulation 53. |
| "**FCM Listed Interest Rates Transaction**" | means any transaction entered into between two Executing Parties for purposes of having at least one side of such transaction registered with the Clearing House as an FCM Listed Interest Rates Contract, and the other side of such transaction registered with the Clearing House as either an FCM Listed Interest Rates Contract or a Non-FCM Listed |

Interest Rates Contract.

"**FCM Omnibus Client Account with LCH**" means either an FCM Omnibus Swaps Client Account with LCH, an FCM Omnibus Futures Client Account with LCH, or an FCM Omnibus Foreign Futures Client Account with LCH.

"**FCM Omnibus Foreign Futures Client Account with LCH**" means an FCM Omnibus Listed Interest Rates Client Account with LCH.

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

"**FCM Omnibus Futures Client Account with LCH**" means an FCM Omnibus Listed Interest Rates Client Account with LCH.

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

"**FCM Omnibus SwapClear Client Account with LCH**" means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which all FCM SwapClear Contracts cleared by such FCM Clearing Member on behalf of such FCM Clients, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus SwapClear Client

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| | Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM SwapClear Contracts. Each FCM Omnibus SwapClear Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Swaps Client Segregated Depository Account. The Clearing House will establish FCM Client Sub-Accounts within each FCM Omnibus SwapClear Client Account with LCH. |
| "**FCM Omnibus Swaps Client Account with LCH**" | means either an FCM Omnibus SwapClear Client Account with LCH or an FCM Omnibus ForexClear Client Account with LCH. |
| "**FCM Option Contract**" | means an FCM Exchange Contract or an FCM Listed Interest Rates Contract that is a contract for an Option. |
| "**FCM Portfolio Margined Contract**" | has the meaning assigned to it in the FCM Procedures. |
| "**FCM Portfolio Margining Arrangements**" | has the meaning assigned to it in the FCM Procedures. |
| "**FCM Portfolio Margining Calculation Tool**" | has the meaning assigned to it in the FCM Procedures. |
| "**FCM Portfolio Margining Eligibility Criteria**" | has the meaning assigned to it in the FCM Procedures. |
| "**FCM Portfolio Margining Eligible FCM Listed Interest Rates Contract**" | means those FCM Listed Interest Rates Contracts meeting the eligibility criteria to be FCM Portfolio Margined Contracts as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| "**FCM Portfolio Margining Request**" | has the meaning assigned to it in the FCM Procedures. |
| "**FCM Portfolio Margining Service**" | has the meaning assigned to it in the FCM Procedures. |
| "**FCM Procedures**" | means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these FCM Regulations, or the procedures for application for and regulation of membership of the Clearing House. For the avoidance of doubt, a reference to "FCM Procedures" is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any Governmental Authority. |
| "**FCM Product Specific Contract Terms and** | means the FCM Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing |

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| **Eligibility Criteria Manual**" | House's website from time to time. |
| "**FCM Rates Clearing Member**" | means an FCM Clearing Member that provides FCM SwapClear Clearing Services and/or FCM Listed Interest Rates Clearing Services. |
| "**FCM Rates Contracts**" | means FCM SwapClear Contracts and/or FCM Listed Interest Rates Contracts. |
| "**FCM Rates Contribution**" | means an FCM Rates Clearing Member's Contribution in respect of the FCM SwapClear Clearing Services and/or the FCM Listed Interest Rates Clearing Services (as applicable). |
| "**FCM Rates Service Default Management Disclosure Notice**" | means the FCM Rates Service Default Management Disclosure Notice as specified by the Clearing House from time to time. |
| **"FCM Rates Service**" | means the FCM SwapClear Clearing Services and the FCM Listed Interest Rates Clearing Services. |
| **"FCM Rates Service Clearing Member**" | means an FCM Clearing Member that provides FCM SwapClear Clearing Services or FCM Listed Interest Rates Clearing Services |
| **"FCM Rates Service Contracts"** | means FCM SwapClear Contracts and FCM Listed Interest Rates Contracts. |
| "**FCM Regulations**" | means these FCM Regulations entitled as such, relating to FCM Contracts and the clearing of FCM Contracts only, from time to time in force. |
| "**FCM Rulebook**" | means the FCM Regulations, the Other Specific Regulations, the FCM Procedures and such other rules of the Clearing House, which are applicable to FCM Clearing Services, as published and amended from time to time. |
| "**FCM SwapClear Clearing Services**" | means the services provided by an FCM Clearing Member in connection with FCM SwapClear Contracts cleared on behalf of its FCM Clients. |
| "**FCM SwapClear Contract**" | means a contract that is registered for clearing and is entered into by the Clearing House with an FCM Clearing Member on the FCM SwapClear Contract Terms, and which is governed by these FCM Regulations. |
| "**FCM SwapClear Contract Terms**" | means the terms applicable to each FCM SwapClear Contract as set out from time to time in the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| "**FCM SwapClear Product Eligibility Criteria**" | means the product criteria set out in paragraphs 1.1(a), 1.1(b) or 1.1(c), and paragraph 3 of Part B of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility |

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| | Criteria Manual. |
| **"FCM SwapClear Suspension Sub-Account"** | means the FCM Client Sub-Account of a Pre-Allocation FCM Clearing Member that has been established by the FCM SwapClear Clearing Member with a view to registering Unallocated FCM SwapClear Contracts. |
| "**FCM SwapClear Transaction**" | means any transaction the details of which are presented to the Clearing House via an FCM Approved Trade Source System for the purpose of having such transaction registered at the Clearing House as two FCM SwapClear Contracts (or, where a corresponding presentation has been made in respect of the same transaction for registration of a Non-FCM SwapClear Contract, one Non-FCM SwapClear Contract and one FCM SwapClear Contract), regardless of whether (a) such transaction is an existing swap transaction, (b) it was entered into in anticipation of clearing, and (c) it is contingent on clearing. |
| "**FCM Swaps Client Funds**" | means all cash, securities, receivables, rights, intangibles and any other collateral or assets held by an FCM Clearing Member (*i.e.*, not furnished to the Clearing House) on behalf of its FCM Clients with respect to Swaps Products or other Cleared Swaps. |
| "**FCM Swaps Client Segregated Depository Account**" | means an omnibus account maintained by an FCM Clearing Member for its FCM Clients with a Permitted Depository (including any applicable "PPS Accounts", which are described in the FCM Procedures), which is segregated in accordance with Section 4d(f) of the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account and which contains the FCM Swaps Client Funds of its FCM Clients held in connection with Swap Products or other Cleared Swaps (and, if applicable, the funds of other Cleared Swaps customers of an FCM Clearing Member held in connection with other Cleared Swaps). |
| "**FCM Transaction**" | means either an FCM SwapClear Transaction, an FCM ForexClear Transaction, an FCM Exchange Transaction, or an FCM Listed Interest Rates Novation Transaction, as the context may require. |
| "**FCM Trading Venue**" | means a Trading Venue (as defined in the UK General Regulations). For the avoidance of doubt, an FCM Trading Venue need not be an FCM Approved Trade Source System. |
| "**FCM Trading Venue Transaction**" | means, in respect of an FCM Clearing Member, a transaction recorded in the Clearing House's systems (via applicable messaging from the relevant FCM Trading Venue, FCM Approved Trade Source System or otherwise) as a transaction that was executed on an FCM Trading |

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| | Venue. |
| **"FDICIA"** | means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended. |
| "**First Listed Interest Rates Clearing Member**" | has the meaning assigned to it in Regulation 54(c)(i). |
| "**foreign board of trade**" | means any board of trade, exchange or market located outside the United States, its territories or possessions, whether incorporated or unincorporated. |
| "**Foreign Futures Account Class**" | means the account class for foreign futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Parts 30 and 190 of the CFTC Regulations. |
| "**Foreign Futures/Options Contract**" | means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery made, or to be made, on or subject to the rules of a foreign board of trade, (ii) an option on any such contract or (iii) any similar type of contract, and which, in the case of any of the foregoing, requires an FCM to hold such contract (and maintain any related margin) pursuant to CFTC Rule 30.7 if cleared by an FCM for a 30.7 customer. |
| "**Foreign Futures Product**" | means a Product that constitutes a Foreign Futures/Options Contract. Such Products are: FCM Listed Interest Rates Contracts. |
| "**ForexClear Clearing Member**" | means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member. |
| "**ForexClear Contribution**" | has the meaning assigned to it in the UK General Regulations. |
| "**ForexClear Determination Date**" | has the meaning assigned to it in the UK General Regulations. |
| "**ForexClear DMP**" | has the meaning assigned to it in the ForexClear DMP Annex of the Default Rules. |
| **"ForexClear Tolerance"** | has the meaning assigned to it in the FCM Procedures. |
| "**Futures Account Class**" | means the account class for futures accounts (as defined in CFTC Regulation 190.01(a)(i)) for purposes of Part 190 of the CFTC Regulations and Section 4d(a) of the CEA. |
| "**Futures/Options Contract**" | means the type of contract which is either (i) a contract for the purchase or sale of a commodity for future delivery that is traded on or subject to the rules of an Exchange, (ii) an option on any such contract or (iii) any similar type of |

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| | contract, and which, in the case of any of the foregoing, is required to be segregated (along with any related margin) pursuant to Section 4d(a) of the CEA if cleared by an FCM for a customer. |
| "**Futures Product**" | means a Product which constitutes a Futures/Options Contract. |
| "**Governmental Authority**" | means any:<br>(a) governmental, inter-governmental, parliamentary or supranational body, entity, agency or department; or<br>(b) regulatory, self-regulatory or other authority,<br>in each case, which has jurisdiction over the Clearing House and/or, in respect of a Clearing Member, the relevant Clearing Member. |
| "**Hedged Account**" | has the meaning assigned to it in the FCM Procedures. |
| "**Hedged ForexClear Service Clearing Member**" | has the meaning assigned to it in the ForexClear DMP Annex in the Default Rules. |
| "**Hedged Rates Service Clearing Member**" | has the meaning assigned to it in the Rates Service DMP Annex in the Default Rules. |
| "**Identified Off-Setting FCM Listed Interest Rates Contracts**" | has the meaning assigned to it in the FCM Procedures. |
| "**Ineligible FCM ForexClear Contract**" | has the meaning assigned to it in FCM Regulation 49(h)(ii). |
| "**Ineligible FCM ForexClear Transaction**" | has the meaning assigned to it in FCM Regulation 49(h)(i). |
| "**Ineligible FCM SwapClear Contract**" | has the meaning assigned to it in FCM Regulation 46(g). |
| "**Ineligible FCM SwapClear Transaction**" | has the meaning assigned to it in FCM Regulation 46(g). |
| **"Inflation Derived Data"** | has the meaning assigned to it in the UK General Regulations. |
| "**Inflation FCM SwapClear Contract**" | means an FCM SwapClear Contract identified as being an Inflation FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| "**Initial Margin**" | means, with respect to the amount of Margin attributable to a particular account or accounts of an FCM Clearing Member with the Clearing House, the portion of such |

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| | Margin held in respect of the Clearing House's initial margin requirements (as published from time to time by the Clearing House) in respect of the relevant FCM Contracts attributable to such account or accounts. |
| **"Intra-Day Bulk Transfer"** | has the meaning assigned to it in the UK General Regulations. |
| "**IRS FCM SwapClear Contract**" | means an FCM SwapClear Contract identified as being an IRS FCM SwapClear Contract in the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| "**LCH Group**" | means the group of undertakings consisting of LCH Limited, LCH Group Holdings Limited, Banque Centrale de Compensation S.A. trading as LCH SA and SwapAgent Limited (any reference to a "**member**" of LCH Group Holdings Limited within these FCM Regulations is to be construed accordingly). |
| "**LCH Approved Outsourcing Agent**" | means a person, designated as such by the Clearing House, as may be provided for in the FCM Procedures. |
| "**LCH Client Depository Account**" | means an LCH Foreign Futures Client Depository Account, an LCH Futures Client Segregated Depository Account or an LCH Swaps Client Segregated Depository Account. |
| "**LCH Foreign Futures Client Depository Account**" | means the account (which may consist of one or more accounts which are commingled) maintained by the Clearing House which contains, *inter alia*, the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients in connection with Foreign Futures Products cleared for such FCM Clients by such FCM Clearing Members. |
| "**LCH Futures Client Segregated Depository Account**" | means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is part of the Futures Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Futures Products cleared for such FCM Clients by such FCM Clearing Members. |
| "**LCH Swaps Client Segregated Depository Account**" | means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC |

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| | Regulations) maintained by the Clearing House for the benefit of FCM Clients of its FCM Clearing Members with a Permitted Depository, which is segregated in accordance with the CEA and the CFTC Regulations, which is a Cleared Swaps Customer Account that is part of the Cleared Swaps Account Class and which contains the Collateral deposited by such FCM Clearing Members on behalf of their FCM Clients solely in connection with Swaps Products cleared for such FCM Clients by such FCM Clearing Members. |
| "**LCIA Rules**" | means the LCIA Arbitration Rules of The London Court of International Arbitration. |
| "**Listed Interest Rates Clearing Member**" | means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member. |
| "**Listed Interest Rates Contribution**" | has the meaning assigned to it in the UK General Regulations. |
| "**Listed Interest Rates Determination Date**" | has the meaning assigned to it in the UK General Regulations. |
| "**Lot**" | means the standard unit or quantity prescribed as the trading unit of an FCM Contract by, as applicable: (i) an Exchange, with the approval of the Clearing House; or (ii) the relevant provisions of the FCM Product Specific Contract Terms and Eligibility Criteria Manual. |
| "**Margin**" | means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook. |
| **"Member Compression Cycle"** | means a Multilateral Compression Cycle requested by two or more Compression Clearing Members and agreed to by the Clearing House in relation to eligible FCM SwapClear Contracts held by those requesting Compression Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP. |
| **"Multilateral Compression"** | means the exercise in which some or all of the FCM SwapClear Contracts or Non-FCM SwapClear Contracts, as applicable, submitted by two or more Compression Clearing Members (either on their own behalf or on behalf of an Authorised Compression Client), as applicable, for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other FCM SwapClear |

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| | Contracts or Non-FCM SwapClear Contracts. |
| **"Multilateral Compression Cycle"** | means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle. |
| "**MER**" | Has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures. |
| "**Nominated FCM Client**" | has the meaning assigned to it in the FCM Procedures. |
| "**Non-FCM Clearing Member**" | means either a SwapClear Clearing Member, a ForexClear Clearing Member or a Listed Interest Rates Clearing Member, as applicable. |
| "**Non-FCM Contract**" | means either a Non-FCM SwapClear Contract, a Non-FCM ForexClear Contract or a Non-FCM Listed Interest Rates Contract, as applicable. |
| "**Non-FCM ForexClear Contract**" | means a "ForexClear Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations. |
| "**Non-FCM Listed Interest Rates Contract**" | means a "Listed Interest Rates Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations. |
| "**Non-FCM SwapClear Contract**" | means a "SwapClear Contract" (as such term is defined in the UK General Regulations) and which is governed in accordance with the UK General Regulations. |
| "**Non-Porting Client**" | has the meaning assigned to it in the FCM Procedures. |
| "**NPV Determination Time**" | has the meaning assigned to such term in FCM Regulation 47(a). |
| "**Official Quotation**" | means a price determined by the Clearing House under FCM Regulation 15. |
| "**Omnibus Collateral Value**" | means, at any given time in respect of an FCM Omnibus Swaps Client Account with LCH, the aggregate Margin, as determined by the Clearing House in accordance with the FCM Rulebook, attributable to such FCM Omnibus Swaps Client Account with LCH (and regardless of whether such Margin is attributed to an FCM Client Sub-Account, the FCM Buffer Sub-Account or the Unallocated Excess Sub-Account). |
| "**Open FCM Contract**" or "**open contract**" | means an FCM Contract which has not been closed-out, settled or invoiced back in accordance with the FCM Regulations and the FCM Procedures. The terms "**Open FCM Contract**" and "**open contract**" shall not include a |

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| | Closing-out Contract. |
| "**Option**" | means a right (but not the obligation) pursuant to an FCM Option Contract, to enter into a Cash-Settled FCM Contract or a Physically-Settled FCM Contract. |
| "**Other Currency**" | has the meaning assigned to such term in FCM Regulation 37(d)(ix). |
| "**Other Specific Regulations**" | means the Clearing House's Default Rules, Default Fund Rules, Settlement Finality Regulations and related Definitions and provisions relating to construction as published and amended by the Clearing House from time to time. |
| "**Permitted Depository**" | means (i) with respect to FCM Swaps Client Funds or Collateral held in connection with Swap Products, "Permitted Depository" as such term is defined in CFTC Regulations 22.1 and 22.4, (ii) with respect to FCM Futures Client Funds or Collateral held in connection with Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulation 1.49; and (iii) with respect to FCM Foreign Futures Client Funds or Collateral held in connection with Foreign Futures Products, a depository qualified to hold customer funds in accordance with CFTC Regulations 30.7(b) and (d). |
| "**Physically-Settled FCM Contract**" | means an FCM Exchange Contract or an FCM Listed Interest Rates Contract between the Clearing House and an FCM Clearing Member: (i) for the sale and purchase of a commodity that is the result of the exercise of an Option pursuant to these FCM Regulations; or (ii) for the sale and purchase of a commodity for delivery on the date specified in the FCM Exchange Contract or the FCM Listed Interest Rates Contract or on the date agreed between the parties. |
| "**Portfolios**" | has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable. |
| "**Porting Collateral"** | has the meaning assigned to it in FCM Regulation 13(a) |
| "**Porting Contracts**" | has the meaning assigned to it in FCM Regulation 13(a) |
| **"Post-Allocation Clearing Member"** | means the FCM Clearing Member or Clearing Member associated with a Client Account, FCM Client Sub-Account or Proprietary Account to which part or all of an Unallocated FCM SwapClear Contract or Unallocated FCM ForexClear Contract, as the case may be, is to be allocated pursuant to an Allocation Notice or FCM Regulation 49(q), |

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| | as the case may be. |
| **"Pre-Allocation FCM Clearing Member"** | has the meaning assigned to it in FCM Regulation 46(o)(i) or FCM Regulation 49(q)(i), as the case may be. |
| **"Post-Multilateral Compression Contracts"** | means, in relation to a Compression Proposal, the FCM SwapClear Contracts or Non-FCM SwapClear Contracts, as applicable, registered as a result of Multilateral Compression in accordance with such Compression Proposal. |
| **"Pre-Allocation Executing Party" or "Account Manager Executing Party"** | means an Executing Party, including an Account Manager Executing Party, which is not an FCM Clearing Member and which is authorized to present or submit Unallocated FCM SwapClear Transactions and/or Unallocated FCM ForexClear Transactions on its own behalf or on behalf of one or more FCM Clients. |
| "**Premium**" | means the consideration for the selling of an Option payable by the Buyer in accordance with these FCM Regulations and the FCM Procedures. |
| "**Price**" | means, in the case of an FCM Contract, the price calculated by the Clearing House in accordance with the FCM Regulations and the FCM Procedures. |
| "**Price Alignment Amount**" or "**PAA**" | has the meaning assigned to it in the FCM Procedures. |
| "**Product**" | means a Swap Product, a Futures Product, or a Foreign Futures Product, as the context may require. |
| "**Prompt Date**" | has the meaning ascribed to it in: (i) the relevant Exchange Rules in respect of an FCM Exchange Contract; or (ii) the relevant provisions of the FCM Product Specific Terms and Eligibility Criteria Manual in respect of an FCM Listed Interest Rates Contract. |
| "**Proprietary Account**" | means the house account with the Clearing House opened in the name of an FCM Clearing Member to which FCM Contracts made by the FCM Clearing Member for its own account are registered and to which monies in respect of such FCM Contracts are credited. |
| "**Protected Payments System"** or **"PPS**" | has the meaning assigned to it in the FCM Procedures. |
| "**Rate X and Rate Y**" | means, in relation to an FCM SwapClear Transaction or an FCM SwapClear Contract, the outstanding payment obligations of each party to the transaction, such that Rate X comprises the outstanding payment obligations of one party to the other and Rate Y comprises the outstanding payment |

obligations of the other party to the first party.

"**Rates Exchange**" means any trading platform approved as such from time to time by the Clearing House in respect of the FCM Listed Interest Rates Clearing Service.

"**Rates Exchange Rules**" means the rules, regulations, administrative procedures, Memorandum and Articles of Association or by-laws which regulate a Rates Exchange and the market administered by it as notified from time to time to the Clearing House.

"**Rates Exchange Match**" means, in respect of a Rates Exchange, a match on such Rates Exchange of Rates Exchange Particulars submitted by, or on behalf of, two FCM Listed Interest Rates Clearing Members, or an FCM Listed Interest Rates Clearing Member and a Listed Interest Rates Clearing Member, which is made either:

(i) other than through an order book of the Rates Exchange; or

(ii) through an order book of the Rates Exchange, and

in each case:

(a) which the Clearing House and the Rates Exchange have agreed will be cleared in accordance with, and subject to, the Rates Exchange Rules and the FCM Rulebook via the FCM Listed Interest Rates Open Offer clearing mechanism (and not via novation under FCM Regulation 54); and

(b) regardless of whether such match is described or characterised as a trade, transaction or agreement in the relevant Rates Exchange Rules.

"**Rates Exchange Particulars**" means the order or trade particulars, in respect of an FCM Listed Interest Rates Eligible Product, submitted to a Rates Exchange in accordance with the relevant Rates Exchange Rules by, or on behalf of, an FCM Listed Interest Rates Clearing Member or a Listed Interest Rates Clearing Member.

"**Rates Service DMP**" has the meaning assigned to it in the Rates Service DMP Annex of the Default Rules.

"**Receiving Clearing Member**" means (i) an FCM Clearing Member or (ii) where the Transferring SwapClear Contracts are FCM SwapClear Contracts, a Clearing Member (as defined in the UK General Regulations, and being an entity other than an FCM Clearing Member) in each case that carries the Transfer Account that will receive the transfer of Transferring

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| | SwapClear Contracts and, where applicable, Associated Collateral Balance(s) held in respect of the Eligible Transferor from a Carrying Clearing Member. For the avoidance of doubt, where the Transferring SwapClear Contracts are FCM SwapClear Contracts: (a) an entity that is an FCM Client may also be a Receiving Clearing Member, and (b) a Receiving Clearing Member that is an FCM Clearing Member may be nominated to receive the transfer of Transferring SwapClear Contracts and Associated Collateral Balance from a Carrying Clearing Member that is not an FCM Clearing Member pursuant to Regulation 60 of the UK General Regulations (and, for the avoidance of doubt, a Carrying Clearing Member may be a Receiving Clearing Member, and vice versa).<br><br>Capitalized terms used in this definition having the meanings set out in the UK General Regulations as modified by FCM Regulation 46(p). |
| "**Reference Currency Buyer**" | has the meaning assigned to it in the Clearing House's "**General Regulations**". |
| "**Reference Currency Seller**" | has the meaning assigned to it in the Clearing House's "**General Regulations**". |
| "**Reference Price**" | means a price (howsoever called) by reference to which an FCM Contract is marked to market or valued in accordance with the FCM Regulations and FCM Procedures. |
| "**Registration Time**" | means, in respect of an FCM Contract, the applicable time at which the Clearing House registers such FCM Contract, as prescribed in the FCM Procedures. |
| "**Regulatory Body**" | means the Secretary of State, The Financial Services Authority or professional body designated under Part 20 of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the Bank of England, the CFTC or any department, agency, office, court or tribunal of a nation, state, province or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law. |
| **"Rejecting Compression Clearing Member"** | has the meaning assigned to it in Regulation 46(n). |
| "**Required Margin**" | means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the amount of Initial Margin required by the Clearing House (in accordance with the FCM Rulebook) to be held in such |

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| | account or accounts from time to time. |
| **"Resignation Effective Date"** | means the date on which the termination of a Resigning Member's FCM Clearing Member status in respect of a specific FCM Clearing Service becomes effective as specified in FCM Regulation 5(a). |
| **"Resigning Member"** | means at any time any FCM Clearing Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular FCM Clearing Service; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such FCM Clearing Member to resign from a particular FCM Clearing Service. |
| **"Retirement Effective Date"** | means the date on which the termination of a Retiring Member's FCM Clearing Member status becomes effective in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures as specified in FCM Regulation 5(e). |
| **"Retiring Member"** | means at any time any FCM Clearing Member or, as the context may require, any former FCM Clearing Member: (i) who has given notice to terminate its FCM Clearing Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its FCM Clearing Member status, in each case in accordance with Section 17 of the FCM Clearing Membership Agreement and the FCM Procedures. |
| "**Risk Neutralisation**" | has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable. |
| "**Rules Change Committee**" | means the decision-making body of the Clearing House that will oversee and implement all material alterations, amendments or extensions to the FCM Rulebook or the FCM Clearing Membership Agreement in accordance with its terms of reference |
| "**Second Listed Interest Rates Clearing Member**" | has the meaning assigned to it in FCM Regulation 54(c)(ii). |
| "**Securities Collateral**" | means Collateral that is in the form of securities. |
| "**Seller**" | means an FCM Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of, as applicable, an FCM Option Contract, a Physically-Settled FCM Contract or an FCM Contract Subject to Delivery Notice. |
| "**Settlement Finality** | means the Clearing House's Settlement Finality Regulations |

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| **Regulations**" | from time to time in force. |
| "**Settlement Payment**" | has the meaning assigned to it in FCM Regulation 47(d). |
| "**Settlement Price**" | means, in relation to an FCM Contract, one or more prices determined in accordance with the FCM Regulations or the FCM Procedures. |
| "**Standard Terms**" | means those parts of the FCM Contract Terms designated as Standard Terms by the Clearing House from time to time. |
| "**Strike Price**" | means the price specified in an FCM Option Contract which becomes the price of the commodity under the relevant FCM Contract upon the exercise of the FCM Option Contract, in accordance, as applicable, with the relevant Exchange Rules, the FCM Regulations and/or the FCM Procedures. |
| "**Sub-Block Trading Venue Transaction**" | means a transaction, identified by the Clearing House as having been executed on an FCM Trading Venue, the notional amount of which is below the minimum block size determined by the Clearing House in its sole and absolute discretion and published on the Clearing House's website in respect of the particular transaction and in effect as of the date of presentation of such transaction to the Clearing House for registration. |
| "**Swap Product**" | means a Product which constitutes a Cleared Swap. Such Products are: (1) FCM SwapClear Contracts and (2) FCM ForexClear Contracts. |
| "**SwapClear Contract**" | has the meaning assigned to it in the General Regulations but which shall not, unless stated otherwise, include an FCM SwapClear Contract. |
| "**SwapClear Contribution**" | has the meaning assigned to it in the UK General Regulations. |
| "**SwapClear Clearing Member**" | means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member. |
| "**SwapClear CTM Contract**" | has the meaning assigned to it in the General Regulations. |
| "**SwapClear Determination Date**" | has the meaning assigned to it in the UK General Regulations. |
| "**SwapClear DMP**" | has the meaning assigned to it in the SwapClear DMP Annex of the Default Rules. |
| "**SwapClear Tolerance**" | has the meaning assigned to it in Section 2.1.3(c) of the |

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| | FCM Procedures. |
| "**Terminating FCM SwapClear Contracts**" | means, in relation to any Compression Proposal, the FCM SwapClear Contracts that will be terminated and replaced with Post-Multilateral Compression Contracts in accordance with Regulation 46(n). |
| "**Termination Amount**" | has the meaning assigned to such term in FCM Regulation 37(d)(iv). |
| "**UK General Regulations**" | means the Clearing House's Default Rules and the Settlement Finality Regulations, and the Clearing House's General Regulations from time to time in force. |
| "**UK General Procedures**" | means the Clearing House's "**Procedures**" as such term is defined in the UK General Regulations, which are applicable to the UK General Regulations. |
| "**Unallocated Excess**" | has the meaning assigned to such term in FCM Regulation 15(b). |
| "**Unallocated Excess Sub-Account**" | has the meaning assigned to such term in FCM Regulation 15(b). |
| **"Unallocated FCM ForexClear Contract"** | has the meaning assigned to such term in FCM Regulation 49(q)(ii). |
| **"Unallocated FCM ForexClear Transaction"** | has the meaning assigned to such term in FCM Regulation 49(q)(i). |
| "**Unallocated FCM SwapClear Contract**" | has the meaning assigned to such term in FCM Regulation 46(p)(ii). |
| "**Unallocated FCM SwapClear Transaction**" | has the meaning assigned to such term in FCM Regulation 46(p)(i). |
| "**Variation Settlement**" | has the meaning assigned to such term in FCM Regulation 47(b). |
| "**Withdrawal Date**" | means the date upon which the Clearing House determines to withdraw the FCM SwapClear Service or the FCM ForexClear Service, as applicable, in accordance with these FCM Regulations and the FCM Procedures. |
| "**With Client Excess Model**" | has the meaning assigned to it in FCM Regulation 15(d). |
| "**Without Client Excess Model**" | has the meaning assigned to it in FCM Regulation 15(c). |

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

Any reference to a Regulatory Body includes any successor or replacement Regulatory Body.

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

Words importing the singular shall, where the context permits, include the plural and vice-versa.

The words "**include**", "**includes**" or "**including**" are to be deemed followed by the words "without limitation".

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

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

Headings are used herein for ease of reference only.

## CHAPTER I - SCOPE

### REGULATION 2 OBLIGATIONS OF THE CLEARING HOUSE TO EACH FCM CLEARING MEMBER

(a) The Clearing House shall perform the obligations referred to in paragraph (b) below so as to ensure the performance of all Open FCM Contracts in accordance with the FCM Rulebook. Each FCM Clearing Member is fully liable to the Clearing House for the performance of all obligations arising in connection with FCM Contracts registered to it, regardless of whether such FCM Contracts are cleared by such FCM Clearing Member: (i) as principal with respect to FCM Contracts in its Proprietary Account; or (ii) as agent (as such term is used in, and as required by, CFTC Regulation 39.12(b)(6)) with respect to FCM Contracts cleared on behalf of its FCM Clients (as set forth in FCM Regulation 4(b)).

(b) The obligations of the Clearing House to each FCM Clearing Member shall be, as a counterpart to an Open FCM Contract registered in the name of an FCM Clearing Member in accordance with the FCM Rulebook, to perform its obligations under the terms of such Open FCM Contract as principal to such FCM Clearing Member in accordance with the FCM Rulebook, but subject to the restrictions on the Clearing House's obligations and liabilities contained in the FCM Rulebook.

(c) The performance by the Clearing House of its obligations under the FCM Rulebook shall be subject to the provisions of the FCM Rulebook. The benefit of the performance by the Clearing House of its obligations under the FCM Rulebook is conferred upon FCM Clearing Members only and a person who is not a party to the FCM Rulebook (where the parties to the FCM Rulebook are the Clearing House and each FCM Clearing Member) has no right to enforce any term of the FCM Rulebook, except as expressly provided in the FCM Rulebook.

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

(a) **Performance by the Clearing House**. The Clearing House's obligations under the terms of an Open FCM Contract shall be performed in the manner and form and by such day and time as may be prescribed in the rules of an FCM Approved Trade Source System, the relevant Exchange Rules, and/or these FCM Regulations or the FCM Procedures, as applicable; **provided**, **that** where the Economic Terms of an FCM Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with such Economic Terms if it performs its obligations promptly after such time; **provided**, **further**, **that** where the rules of an FCM Approved Trade Source System or the relevant Exchange Rules specify a time by which the seller or the buyer shall perform its obligations under the terms of an FCM Exchange Contract, the Clearing House shall be deemed to have complied with the rules of the FCM Approved Trade Source System or the Exchange Rules (as may be the case) if it performs its obligations under the terms of an Open FCM Contract, as seller or buyer, as the case may be, promptly after such time, unless the rules of the FCM Approved Trade Source System or the Exchange Rules (as applicable) expressly provide that performance must be made by the Clearing House by such time.

(b) **Novation**. This FCM Regulation 3(b) applies only to: (A) FCM Exchange Transactions and FCM Exchange Contracts arising therefrom; and (B) FCM Listed Interest Rates Novation Transactions and FCM Listed Interest Rates Contracts arising therefrom.

(i) Upon registration of an FCM Transaction by the Clearing House, the relevant contracts thereunder shall be replaced by novation by two equal and opposite FCM Contracts, one between the first FCM Clearing Member and the Clearing House and another between the second FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) and the Clearing House. For the avoidance of doubt, the two FCM Clearing Members may, in fact, be the same FCM Clearing Member. Each FCM Contract shall be subject to the FCM Regulations including any restrictions on the Clearing House's obligations and liabilities set out in the FCM Regulations (including FCM Regulation 44 and FCM Regulation 24) and otherwise on the same terms (to the extent applicable) as the FCM Transaction that was replaced by such FCM Contracts (or FCM Contract and Non-FCM Contract, as the case may be). If the provisions in the FCM Rulebook applicable to a specific Product conflict with or modify the terms of this paragraph with respect to such Product, then such provisions shall prevail with respect to such Product.

(ii) Upon the exercise of an Option by or on behalf of an FCM Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such Option pursuant to these FCM Regulations, the FCM Option Contract shall be replaced by novation by an FCM Contract on the terms specified in the FCM Option Contract at the Strike Price or at some other price in accordance with the terms of such FCM Option Contract.

## CHAPTER II - STATUS

### REGULATION 4 FCM CLEARING MEMBER STATUS AND APPLICATION OF LCH REGULATIONS

(a) Application for FCM Clearing Member status in the Clearing House shall be made in accordance with the FCM Procedures. An FCM Clearing Member's status in the Clearing House and all FCM Clearing Services shall be governed by these FCM Regulations, the Other Specific Regulations and the FCM Procedures. Additionally, an FCM Clearing Member's status in the Clearing House shall be governed by any FCM Clearing Membership Agreement to which it is for the time being party. FCM Clearing Member status does not provide or entitle an FCM Clearing Member to any other clearing member status with the Clearing House, or to any shareholding membership of LCH Limited or any shareholding or other membership of any other member of the LCH Group or any entitlement to membership of or participation in LCH SA, each of which has separate and distinct membership requirements.

(b) Notwithstanding any other provision of these FCM Regulations, with respect to FCM Transactions involving an FCM Client cleared by an FCM Clearing Member as FCM Contracts, such FCM Clearing Member shall act solely as agent of its FCM Clients in connection with the clearing of such FCM Contracts; **provided, that** each FCM Clearing Member shall remain fully liable for all obligations to the Clearing House arising in connection with such FCM Contracts. For the avoidance of doubt, following the occurrence of an FCM Client Default, the FCM Clearing Member is permitted, but not obligated, to act in a capacity other than as agent of the FCM Client, which may include acting as principal (e.g. with respect to any transfers or registration of FCM SwapClear Contracts or other actions permitted under FCM Regulation 13(d)), even though the FCM Clearing Member may be entitled to a right of indemnity from, or be required to account for any gains to, the FCM Client in respect of such activity.

(c) **General Qualification of FCM Clearing Members**. An FCM Clearing Member must obtain approval from the Clearing House in order to provide FCM Clearing Services in respect of a Product. A separate approval is required for each Product that an FCM Clearing Member proposes to clear. In order to obtain such approval, and in order to maintain such approval once such approval has been obtained, an FCM Clearing Member must:

(i) be registered with the CFTC as an FCM;

(ii) maintain adjusted net capital, as defined in CFTC Regulation 1.17, of at least $7,500,000 (seven and a half million United States dollars), or $50,000,000 (fifty million United States dollars) in the case of FCM Clearing Members that clear either FCM SwapClear Contracts or FCM ForexClear Contracts; **provided**, **that** (A) the Clearing House shall be permitted (in its sole and reasonable discretion), including as described in the FCM Procedures, to scale an FCM Clearing Member's required level of net capital in accordance with the level of risk introduced to the Clearing House by such FCM Clearing Member and (B) the Clearing House shall be permitted (in its sole and reasonable discretion) to scale an FCM Clearing Member's level of risk introduced to the Clearing House by such FCM Clearing Member in accordance with its level of net capital (and regardless of whether such FCM

Clearing Member has adjusted net capital exceeding $7,500,000 or $50,000,000, as applicable); **provided**, **further**, **that** each FCM Clearing Member or FCM Clearing Member applicant must maintain compliance with all regulatory financial requirements (whether relating to capital, equity, risk or otherwise) applicable to it, including without limitation the applicable requirements of CFTC Regulation 1.17;

(iii) [reserved]

(iv) have and maintain systems and personnel that are, in the judgment of the Clearing House, adequate to enable such FCM Clearing Member or applicant to satisfy its operational responsibilities, in accordance with the FCM Regulations and FCM Procedures and, without limitation, have the connectivity and capability to process the applicable FCM Transactions and/or to submit the relevant trade particulars through an FCM Approved Trade Source System or an Exchange, as applicable;

(v) be in compliance with all applicable provisions of the FCM Rulebook and the FCM Default Fund Agreement, including but not limited to the requirement to contribute to the applicable default funds of the Clearing House in accordance with the FCM Rulebook; and

(vi) be incorporated or otherwise organized under the laws of a State within the United States.

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

(vii) be able to successfully participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in a "fire drill" run by the Clearing House from time to time in respect of each Product cleared by such FCM Clearing Member. Each such "fire drill" shall involve submitting a bid for a notional portfolio of trades within a specific currency in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's FCM Clearing Member application will not be approved;

(viii) be able to participate or demonstrate that it has: (A) an affiliated Non-FCM Clearing Member that can successfully participate; or (B) an LCH Approved Outsourcing Agent that can successfully participate in the Default Management Process operated by the Clearing House;

(ix) in the event of a default, be able to receive from the Clearing House and process FCM Contracts and Non-FCM Contracts (of the type(s) that it is approved to clear), and any associated hedge trades, in FPML; and

(x) have, within its corporate group, at least one banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of the United States or a member state of the

European Union, or the equivalent of a banking institution, credit institution, securities firm, investment banking firm or similar entity licensed by the competent authorities of a country outside the United States and the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to banking institutions, credit institutions, securities firms, investment banking firms or similar entities, as applicable, within the United States or the European Union.

(d) Each FCM Clearing Member shall at all times continue to comply with and satisfy the qualifications and requirements set forth in FCM Regulation 4(c) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such qualifications or requirements.

(e) Notwithstanding anything else contained in this FCM Regulation 4 or in the FCM Procedures, an applicant to become an FCM Clearing Member shall provide any additional documentation or information that is reasonably requested by the Clearing House in order to verify or substantiate the ability of such FCM Clearing Member applicant to satisfy its obligations under the FCM Rulebook or to satisfy its obligations as an FCM Clearing Member.

## REGULATION 5 RESIGNING AND RETIRING MEMBERS

(a) An FCM Clearing Member may resign from a particular FCM Clearing Service upon giving no less than three months' written notice to the Clearing House by completing a Resignation Letter, a copy of which can be obtained from the Clearing House's Membership Department. Such resignation takes effect on the Resignation Effective Date, which is the later of: (i) the resignation date specified in the written notice to the Clearing House in relation to the relevant FCM Clearing Service; and (ii) the date on which all FCM Contracts registered in the Resigning Member's name on the relevant FCM Clearing Service have been closed out or transferred so as to ensure that there are no remaining open FCM Contracts in respect of the relevant FCM Clearing Service to which the Resigning Member is a party.

(b) Upon the Clearing House being satisfied that the Resigning Member is not a Defaulter and that all obligations of the Resigning Member to which the relevant Collateral is capable of being applied in accordance with the FCM Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising, the Clearing House shall return or release any Collateral provided to the Clearing House for the purpose of collateralizing the Resigning Member's obligations in respect of the relevant FCM Clearing Service.

(c) A Resigning Member other than a Defaulter who is resigning from a particular FCM Clearing Service shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant FCM Clearing Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Resigning Member may be required to maintain some or all of its Contribution in connection with that FCM Clearing Service until after the completion of the default management process related to the relevant Default, notwithstanding that the relevant Resignation Effective Date might occur prior to such time.

(d) An FCM Clearing Member must at all times be an FCM Clearing Member in respect of at least one FCM Clearing Service, and an FCM Clearing Member may not utilize the resignation process set out in paragraphs (a) to (c) above so as to resign from all (or all remaining) FCM Clearing Services in respect of which he is an FCM Clearing Member. Where an FCM Clearing Member wishes to cease being an FCM Clearing Member in respect of all (or all remaining) FCM Clearing Services, the retirement process set out in paragraphs (e) to (g) below should be used.

(e) A Clearing Member may, in accordance with Section 17 of the FCM Clearing Membership Agreement and as further described in the FCM Procedures, retire from FCM Clearing Member status altogether upon giving no less than three months' written notice to the Clearing House. Retirement takes effect on the Retirement Effective Date, which is the later of: (i) the retirement date specified in the notice of retirement; and (ii) the date on which all FCM Contracts registered in the Retiring Member's name have been closed out or transferred so as to ensure that there are no remaining open FCM Contracts to which the Retiring Member is a party.

(f) Upon the Clearing House being satisfied that the Retiring Member is not a Defaulter and that all obligations of the Retiring Member to which the relevant Collateral is capable of being applied in accordance with the FCM Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of

arising, the Clearing House shall return or release any Collateral provided to the Clearing House for the purpose of collateralizing the Resigning Member's obligations.

(g) A Retiring Member other than a Defaulter shall be liable in respect of Aggregate Excess Losses relating to any Default which arises prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Default Rules, the Retiring Member may be required to maintain some or all of its Contribution until after the completion of the default management process related to the relevant Default, notwithstanding that the Retirement Effective Date might occur prior to such time.

(h) FCM Clearing Members should contact the Clearing House for further details on how to retire from FCM Clearing Member status or how to resign from a particular FCM Clearing Service.

(i) The Clearing House may also, by giving no less than three months' written notice, require an FCM Clearing Member to retire from FCM Clearing Member status or to resign from one or more specific FCM Clearing Services. Following the service of such a notice, the relevant FCM Clearing Member will become a Retiring Member or a Resigning Member (as the case may be) and will be required to close out or transfer all FCM Contracts registered in its name or all FCM Contracts registered in its name in connection with the specified FCM Clearing Service or FCM Clearing Services, respectively, by the date specified in the relevant notice.

(j) The arrangements for an FCM Clearing Member who is a Defaulter to resign from a particular FCM Clearing Service or retire from FCM Clearing Member status and for the return or release of the cover and the Contributions provided by such Defaulter to the Clearing House are as set out in the Default Rules, including, in particular, Default Rules 15 and 25.

## REGULATION 6 SERVICE WITHDRAWAL

(a) Without prejudice to the provisions of FCM Regulation 60, if at any time the Clearing House decides to withdraw part or the whole of an FCM Clearing Service it shall give not less than six months' notice in accordance with the FCM Procedures to all FCM Clearing Members participating in that FCM Clearing Service (for the purposes of this FCM Regulation 6, the "**affected FCM Clearing Members**") of the date on which the service will be withdrawn (the "**Relevant Withdrawal Date**"). The accidental omission by the Clearing House to give notice under this FCM Regulation 6 to, or the non-receipt of notice under this FCM Regulation 6 by, one or more affected FCM Clearing Members shall not invalidate the Relevant Withdrawal Date. Where only a part of an FCM Clearing Service is being withdrawn, notice need only be given to those FCM Clearing Members authorized or approved to participate in that part of the relevant FCM Clearing Service. If the Clearing House becomes aware that it has omitted to give notice under this FCM Regulation 6 to any affected FCM Clearing Member prior to the Relevant Withdrawal Date it will immediately notify the affected FCM Clearing Member of the Relevant Withdrawal Date in accordance with the applicable notice provisions.

(b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) above shall specify the nature of the service which the Clearing House will provide until the Relevant Withdrawal Date. Unless otherwise specified in the notice, and without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules or pursuant to the entering of offsetting/compressing trades in accordance with FCM Regulation 46(n) or FCM Regulation 49, register an FCM Contract in respect of the relevant FCM Clearing Service (other than a Closing-out Contract) after notice to withdraw the applicable service(s) has been given under FCM Regulation 6(a).

(c) If at the Relevant Withdrawal Date (or, in respect of the FCM ForexClear Clearing Service, the date falling five Business Days before the Relevant Withdrawal Date) an affected FCM Clearing Member has not closed out all open FCM Contracts in respect of the relevant FCM Clearing Service registered in its name, the Clearing House shall (in the case of a Relevant Withdrawal Date in respect of the FCM ForexClear Clearing Service, with five Business Days' notice to the affected FCM ForexClear Clearing Member) at its sole discretion, be entitled to:

(i) liquidate any or all of such FCM Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and/or

(ii) postpone the Relevant Withdrawal Date until such time as the Clearing House determines.

## CHAPTER III - ACCOUNTS AND CLIENT CLEARING

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

(a) Subject to the provisions of these FCM Regulations, FCM Clearing Services may be provided by an FCM Clearing Member to its FCM Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the FCM Client; **provided**, **however**, that each FCM Clearing Member shall, before providing FCM Clearing Services to any FCM Client, ensure that it has entered into an agreement with that FCM Client, or an Addendum to an existing Agreement with such FCM Client, which, in either case, binds the FCM Client to the applicable provisions of the FCM Rulebook by direct reference to the FCM Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and FCM Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of an FCM Contract at the applicable Registration Time on behalf of an FCM Client, both the FCM Clearing Member and the applicable FCM Client will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of the FCM Rulebook and the applicable FCM Contract Terms.

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

In addition, an FCM Clearing Member may request the Clearing House to open one or more Indirect Accounts (as defined in, and operated in accordance with the provisions of, the UK General Regulations), provided that such FCM Clearing Member demonstrates, to the Clearing House's reasonable satisfaction, that it is able to perform its obligations in respect of such Indirect Accounts in accordance with Applicable Law.

(b) **Book Entry Accounts – Swaps**.

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

the FCM Omnibus Swaps Client Account with LCH shall be located in the United States.

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

(iii) The Clearing House shall establish and maintain on its books and records an FCM Client Sub-Account in the name and on behalf of each FCM Client of an FCM Clearing Member, as a sub-account of each applicable FCM Omnibus Swaps Client Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the FCM Contracts and Margin value attributable to each FCM Client Sub-Account; **provided**, that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify any such information or to investigate independently any such information. Each FCM Client Sub-Account shall be considered to be part of the Cleared Swaps Customer Account Class solely for purposes of Part 190 of the CFTC Regulations. The Clearing House shall, in accordance with the provisions of FCM Regulation 7(h), establish and maintain on its books and records an FCM Buffer Sub-Account on behalf of each FCM Clearing Member and its FCM Clients, as a sub-account of each FCM Omnibus SwapClear Client Account with LCH and each FCM Omnibus ForexClear Client Account with LCH, maintained for each such FCM Clearing Member.

(iv) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Swap Products, Collateral and other FCM Swaps Client Funds held or furnished by such FCM Clearing Member for each of its FCM Clients and shall instruct the Clearing House as to the Swap Products and Collateral to be reflected in each applicable FCM Client Sub-Account, at such time and in such form as required under the FCM Procedures. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the

FCM Clearing Member, or the clearing of Swap Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

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

(i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Futures Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Futures Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Futures Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Futures Client Account with LCH. Each such FCM Omnibus Futures Client Account with LCH shall be treated as part of the Futures Account Class for purposes of the CFTC Regulations.

(ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH. FCM Omnibus Futures Client Accounts with LCH shall be maintained and administered in accordance with the CEA and all applicable CFTC Regulations (including but not limited to Part 1 and Part 190 of such Regulations, as applicable). In accordance with CFTC Regulation 1.20(b) (and subject to CFTC Regulation 1.25), the Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of its FCM Clients in connection with Futures Products as belonging to such FCM Clients as a class, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, FCM Clients of other FCM Clearing Members or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 1 or Part 190 of the CFTC Regulations; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Futures Client Account with LCH in a single physical depository account with a Permitted Depository.

(iii) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Futures Products, Collateral and other FCM Futures Client Funds held by such FCM Clearing Member for each of its FCM Clients. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Futures Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

(iv) Without limitation to FCM Regulation 7(c), to the extent permitted under CFTC Regulation 39.13(g)(8)(i), each FCM Clearing Member shall report the gross FCM Contracts that are Futures Products of each of its individual FCM Clients to the Clearing House, unless the Clearing House expressly permits an FCM Clearing Member to instead report the sum of the gross positions in Futures Products in each applicable Business Category of FCM Contract of all

of its FCM Clients on an omnibus basis to the Clearing House. Unless otherwise notified by FCM Clearing Member circular, receipt of position information generated by an Exchange with respect to FCM Contracts in Futures Products and provided by such Exchange to the Clearing House shall be deemed to satisfy the FCM Clearing Member's obligation to report gross positions. The Clearing House will provide notice by FCM Clearing Member circular of its policies and procedures regarding the collection of reports described above, to the extent not already specified in the FCM Procedures, including any changes to such policies and procedures from time to time.

(ca) **Book Entry Accounts – Foreign Futures**.

(i) With respect to each FCM Clearing Member, the Clearing House shall establish and maintain an FCM Omnibus Foreign Futures Client Account with LCH on behalf of such FCM Clearing Member's FCM Clients with respect to each Foreign Futures Product for which such FCM Clearing Member clears FCM Contracts on behalf of its FCM Clients. FCM Clearing Services in respect of Foreign Futures Products may be provided by an FCM Clearing Member to its FCM Clients, and FCM Contracts may be registered by an FCM Clearing Member with the Clearing House on behalf of its FCM Clients only in an FCM Omnibus Foreign Futures Client Account with LCH. Each such FCM Omnibus Foreign Futures Client Account with LCH shall be treated as part of the Foreign Futures Account Class for purposes of the CFTC Regulations.

(ii) This paragraph applies to an FCM Clearing Member's FCM Omnibus Foreign Futures Client Accounts with LCH. The Clearing House shall treat the value of all Collateral received from each FCM Clearing Member on behalf of its FCM Clients in connection with Foreign Futures Products as belonging to such FCM Clients as a class, and such amount shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, FCM Clients of other FCM Clearing Members or any other person, except as permitted under the FCM Rulebook; **provided**, that the Clearing House shall be permitted to physically hold and commingle all Collateral and other cover deposited in any FCM Omnibus Foreign Futures Client Account with LCH in a single physical depository account.

(iii) An FCM Clearing Member shall provide the Clearing House with all information required under the FCM Procedures regarding Foreign Futures Products, Collateral and other FCM Foreign Futures Client Funds held by such FCM Clearing Member for each of its FCM Clients. In addition, an FCM Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the FCM Clients of the FCM Clearing Member, or the clearing of Foreign Futures Products by such FCM Clearing Member on behalf of its FCM Clients or on its own behalf.

Without limitation to FCM Regulation 7(ca), to the extent permitted under CFTC Regulation 39.13(g)(8)(i), each FCM Clearing Member shall report the gross FCM Contracts that are Foreign Futures Products of each of its

individual FCM Clients to the Clearing House, unless the Clearing House expressly permits an FCM Clearing Member to instead report the sum of the gross positions in Foreign Futures Products in each applicable Business Category of FCM Contract of all of its FCM Clients on an omnibus basis to the Clearing House. Unless otherwise notified by FCM Clearing Member circular, receipt of position information generated by an Exchange with respect to FCM Contracts in Foreign Futures Products and provided by such Exchange to the Clearing House shall be deemed to satisfy the FCM Clearing Member's obligation to report gross positions. The Clearing House will provide notice by FCM Clearing Member circular of its policies and procedures regarding the collection of reports described above, to the extent not already specified in the FCM Procedures, including any changes to such policies and procedures from time to time.

(d) **Depository Accounts – Swaps**.

(i) Each FCM Clearing Member shall establish and maintain one or more FCM Swaps Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such Regulations, and as further set forth in this FCM Regulation 7. Each FCM Swaps Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Swaps Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Cleared Swaps) relating to Swap Products in a single FCM Swaps Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Futures Client Funds or FCM Foreign Futures Client Funds in its FCM Swaps Client Segregated Depository Account. Each FCM Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations.

(ii) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account for all Swap Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1, Part 22 and Part 190 of such Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients with respect to Swap Products in the LCH Swaps Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than Collateral furnished by FCM Clearing Members in connection with the clearing of Swap Products on behalf of their FCM Clients. Such LCH Swaps Client Segregated Depository

Account maintained by the Clearing House shall be treated as part of the Cleared Swaps Account Class and shall be considered a Cleared Swaps Customer Account for the purposes of the CFTC Regulations. In accordance with CFTC Regulation 22.8, the situs of the LCH Swaps Client Segregated Depository Account shall be located in the United States.

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

(i) Each FCM Clearing Member shall establish and maintain one or more FCM Futures Client Segregated Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1 and Part 190 of such Regulations, and as further set forth in this FCM Regulation 7. Each FCM Futures Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations. The FCM Clearing Member may physically commingle FCM Futures Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Futures Products) relating to Futures Products in a single FCM Futures Client Segregated Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Swap Client Funds or FCM Foreign Futures Client Funds in its FCM Futures Client Segregated Depository Account. Each FCM Futures Client Segregated Depository Account maintained by each FCM Clearing Member shall be considered a Futures Customer Account for the purposes of the CFTC Regulations.

(ii) The Clearing House shall establish and maintain an LCH Futures Client Segregated Depository Account for all Futures Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 1 and Part 190 of such Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained with Permitted Depositories in accordance with the CEA and the CFTC Regulations, and the Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients in connection with Futures Products in the LCH Futures Client Segregated Depository Accounts in accordance with the CFTC Regulations. Such LCH Futures Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the FCM Clearing Members or assets of the Clearing House, and shall contain no assets other than Collateral furnished by FCM Clearing Members in connection with the clearing of Futures Products on behalf of their FCM Clients. Such LCH Futures Segregated Depository Account maintained by the Clearing House shall be treated as part of the Futures Account Class for the purposes of the CFTC Regulations.

(ea) **Depository Accounts – Foreign Futures.**

(i) Each FCM Clearing Member shall establish and maintain one or more FCM Foreign Futures Client Secured Amount Depository Accounts on behalf of its FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, including but not limited to Part 1, Part 30 and Part 190 of

such Regulations, and as further set forth in this FCM Regulation 7. Each FCM Futures Client Segregated Depository Account shall be maintained with a Permitted Depository in accordance with the CEA and the CFTC Regulations, including but not limited to the geographical and other limitations set out in CFTC Regulation 30.7(c). The FCM Clearing Member may physically commingle FCM Foreign Futures Client Funds of all of its FCM Clients (**provided** that such assets are deposited or held in connection with Foreign Futures Products) relating to Foreign Futures Products in a single FCM Foreign Futures Client Secured Amount Depository Account established and maintained in accordance with CFTC Regulations. No FCM Clearing Member shall physically commingle FCM Swap Client Funds or FCM Futures Client Funds in its FCM Foreign Futures Client Secured Amount Depository Account. Each FCM Futures Client Segregated Depository Account maintained by each FCM Clearing Member shall be considered a Foreign Futures Customer Account for the purposes of the CFTC Regulations.

(ii) The Clearing House shall designate and maintain an LCH Foreign Futures Client Depository Account for all Foreign Futures Products on behalf of the FCM Clients, in accordance with applicable provisions of the CEA and the CFTC Regulations, as required, including but not limited to Part 30 and Part 190 of such Regulations. The Clearing House may physically commingle all Collateral furnished on behalf of FCM Clients in connection with Foreign Futures Products in the LCH Foreign Futures Client Depository Account. For the avoidance of doubt, the LCH Foreign Futures Client Depository Account may from time to time also contain assets of Non-FCM Clearing Members as well as assets of the Clearing House. The Foreign Futures Client Collateral held by the Clearing House in the LCH Foreign Futures Depository Account shall be treated as part of the Foreign Futures Account Class for the purposes of the CFTC Regulations.

(f) **Notice of Deficiency in FCM Client Segregated Depository Accounts**.

Any FCM Clearing Member required to provide notice of a deficiency pursuant to CFTC Regulation 1.12(j) must do so in accordance with CFTC Regulation 1.12(n) or, if a dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.

(g) **Segregation of FCM Swap Client Funds**.

(i) This paragraph (g) applies to any account that reflects Swap Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.

(ii) With respect to FCM Client Funds deposited in connection with FCM Transactions and FCM Contracts in Swap Products:

(A) all such FCM Swaps Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Swaps Client Segregated Depository Account in accordance with Section 4d(f) of the CEA and the CFTC Regulations, including Part 22 of such Regulations;

(B) all such FCM Swaps Client Funds must be held by the applicable Clearing Member or deposited with a Permitted Depository, and such FCM Swaps Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the FCM Rulebook and Part 22 of the CFTC Regulations; and

(C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulation 22.5 from such Permitted Depository that it was informed that such FCM Swaps Client Funds deposited in the FCM Swaps Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

(iii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Swap Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Swaps Client Segregated Depository Account, in accordance with Section 4d(f) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such Collateral except as belonging to such FCM Clients. Without limitation, all such Collateral shall be reflected in the appropriate FCM Omnibus Swaps Client Account with LCH. All such Collateral deposited by the Clearing House with a Permitted Depository shall be deposited under an account name which complies with the requirements of CFTC Regulation 22.6 and shows that such Collateral is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulation 22.5, from such Permitted Depository that it was informed that the Collateral deposited in any LCH Swaps Client Segregated Depository Accounts maintained by LCH in connection with Swap Products are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.

(iv) Each FCM Clearing Member shall treat and deal with FCM Swaps Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Swap Products or other Cleared Swaps shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Swaps Client Funds may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance

with the CEA, the CFTC Regulations and the FCM Rulebook; **provided**, **further**, that FCM Client Funds may be invested in accordance with FCM Regulation 7(n) and CFTC Regulation 1.25.

(v) In no event may FCM Swaps Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Swap Products) be held or commingled and deposited with (A) FCM Futures Client Funds; (B) FCM Foreign Futures Client Funds; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.

(vi) The Clearing House is required to maintain an FCM Omnibus Swaps Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Swap Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Swaps Client Funds in a single FCM Swaps Client Segregated Depository Account.

(vii) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the Margin value attributable to an FCM Client in connection with Swap Products as belonging to each such individual FCM Client, and such amount shall be credited to such FCM Client's applicable FCM Client Sub-Account as provided in the FCM Rulebook, and shall not be used to margin, guarantee, or secure the FCM Contracts or other obligations of the applicable FCM Clearing Member, other FCM Clients or any other person, except as permitted under the FCM Rulebook (and not prohibited by the CEA or CFTC Regulations) or as permitted under Part 22 of the CFTC Regulations. For the avoidance of doubt, and notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House is under no obligation to deal directly with any FCM Client (under the terms of the FCM Rulebook or otherwise) and the Clearing House may deal exclusively with the FCM Clearing Members, and the Clearing House shall have no obligations to any FCM Client under the FCM Rulebook.

(h) **Segregation of FCM Futures Client Funds**.

(i) This paragraph (h) applies to any account that reflects Futures Products cleared by an FCM Clearing Member on behalf of its FCM Clients and/or that reflects funds related thereto.

(ii) With respect to FCM Futures Client Funds deposited in connection with FCM Transactions and FCM Contracts in Futures Products:

(A) all such FCM Futures Client Funds shall be separately accounted for and segregated by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in its FCM Futures Client Segregated Depository Account in accordance with Sections 4d(a) of the CEA and the CFTC Regulations, including Part 1 of such Regulations;

(B) all such FCM Futures Client Funds must be held by the applicable FCM Clearing Member or deposited with a Permitted Depository, and such FCM Futures Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and indicates that they are segregated as required by the FCM Rulebook and Part 1 of the CFTC Regulations; and

(C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable) from such Permitted Depository that it was informed that such FCM Futures Client Funds deposited in the FCM Futures Client Segregated Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

(iii) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Futures Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such FCM Clients, and held in the applicable LCH Futures Client Segregated Depository Account, in accordance with Section 4d(a) of the CEA and the CFTC Regulations, and the Clearing House shall not hold, use or dispose of such Collateral except as belonging to such FCM Clients. Without limitation, the value of all such Collateral shall be reflected in the appropriate FCM Omnibus Futures Client Account with LCH. All such Collateral deposited by the Clearing House with a Permitted Depository, shall be deposited under an account name which complies with the requirements of CFTC Regulation 1.20 and shows that such Collateral is segregated as required by the CEA, the CFTC Regulations and the FCM Rulebook. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, a written acknowledgment, in accordance with CFTC Regulations 1.20 or 1.26 (as applicable), from such Permitted Depository that it was informed that the Collateral deposited in any LCH Futures Client Segregated Depository Accounts maintained by LCH in connection with Futures Products are those of FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, the CFTC Regulations and the FCM Rulebook.

(iv) Each FCM Clearing Member shall treat and deal with FCM Futures Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held in connection with Futures Products or other Futures/Options Contracts shall be separately accounted for, and shall not be commingled with the money, securities or property of an FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Futures Client Funds may be physically commingled (although separately accounted for in accordance with these FCM

Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided**, **further**, that FCM Futures Client Funds may be invested in accordance with FCM Regulation 7(n) and CFTC Regulation 1.25.

(v) In no event may FCM Futures Client Funds (deposited or held in connection with FCM Transactions resulting in, and FCM Contracts that are, Futures Products) be held or commingled and deposited with (A) FCM Swaps Client Funds; (B) FCM Foreign Futures Client Funds; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.

(vi) The Clearing House is required to maintain an FCM Omnibus Futures Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Futures Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Futures Client Funds in a single FCM Futures Client Segregated Depository Account.

(ha) **Maintenance of FCM Foreign Futures Client Funds**.

(iii) With respect to FCM Foreign Futures Client Funds deposited in an FCM Clearing Member's FCM Foreign Futures Client Secured Amount Depository Account(s):

(A) all such FCM Foreign Futures Client Funds shall be separately accounted for and maintained by the relevant FCM Clearing Member as belonging to FCM Clients and shall be held in accordance with Part 30 of the CFTC Regulations;

(B) all such FCM Foreign Futures Client Funds must be held by the applicable FCM Clearing Member or deposited with a Permitted Depository, and such FCM Futures Client Funds shall be deposited under an account name which complies with the requirements of CFTC Regulation 30.7(b) and indicates that they are held in accordance with the FCM Rulebook and Part 30 of the CFTC Regulations; and;

(C) each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment, in accordance with CFTC Regulation 30.7(d) from such Permitted Depository that it was informed that such FCM Foreign Futures Client Funds deposited in the FCM Foreign Futures Client Secured Amount Depository Accounts maintained by such Permitted Depository for the FCM Clearing Member are those of FCM Clients and are being held in accordance with the requirements of the CFTC Regulations and the FCM Rulebook; **provided**, that where such FCM Clearing Member deposits FCM Foreign Futures Client Funds with the Clearing House, the Clearing House shall hold such FCM Foreign Futures Client Funds as a foreign futures or foreign options secured amount subject to the requirements of CFTC Regulation 30.7, thereby satisfying such FCM

Clearing Member's requirement to obtain an acknowledgement letter from the Clearing House pursuant to CFTC Regulation 30.7(d).

(iv) All Collateral held or maintained by the Clearing House to purchase, margin, guarantee, secure or settle Foreign Futures Products of the FCM Clearing Member's FCM Clients and all money accruing to such FCM Clients as the result of trades, contracts or transactions so carried shall be separately accounted for as belonging to such FCM Clients, and held in the LCH Foreign Futures Client Depository Account. Without limitation, the value of all such Collateral shall be reflected in the appropriate FCM Omnibus Foreign Futures Client Account with LCH.

(v) Each FCM Clearing Member shall treat and deal with FCM Foreign Futures Client Funds as belonging to such FCM Client on whose behalf such FCM Client Funds are deposited. All FCM Client Funds held by an FCM Clearing Member in connection with Foreign Futures Products or other Foreign Futures/Options Contracts shall be separately accounted for, and shall not be commingled with the money, securities or property of such FCM Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom the same are held; **provided**, that all FCM Foreign Futures Client Funds held by an FCM Clearing Member may be physically commingled (although separately accounted for in accordance with these FCM Regulations), subject to and in accordance with the CEA, the CFTC Regulations and the FCM Rulebook; **provided**, **further**, that FCM Foreign Futures Client Funds may be invested in accordance with FCM Regulation 7(n) and CFTC Regulations 30.7(h) and 1.25.

(vi) In no event may FCM Foreign Futures Client Funds (deposited or held by an FCM Clearing Member in connection with FCM Transactions resulting in, and FCM Contracts that are, Foreign Futures Products) be held or commingled and deposited with (A) FCM Swaps Client Funds; (B) FCM Futures Client Funds; or (C) any other money securities or property required to be segregated and separately accounted for under Section 4d of the CEA.

(vii) The Clearing House is required to maintain an FCM Omnibus Foreign Futures Client Account with LCH for each FCM Clearing Member in respect of each Business Category of FCM Contract consisting of Foreign Futures Products in which such FCM Clearing Member is approved by the Clearing House to clear such Business Category of FCM Contract; **provided**, that an FCM Clearing Member is permitted to physically commingle all FCM Foreign Futures Client Funds in a single FCM Foreign Futures Client Secured Amount Depository Account.

(i) **Care of Money and Securities Accruing to FCM Clients**.

(i) All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any FCM Clearing Member or from any other person incident to or resulting from any FCM Contract cleared by such FCM Clearing Member on behalf of any FCM Client shall be considered as accruing to such FCM Client within the

meaning of the FCM Rulebook. Such money and securities shall be treated and dealt by the FCM Clearing Member with as belonging to such FCM Client in accordance with the provisions of the CEA, CFTC Regulations and the FCM Rulebook.

(ii) With respect to Swap Products, the value of money and securities accruing in connection with Swap Products in an FCM Omnibus Swaps Client Account with LCH attributable to an individual FCM Client shall be separately credited to the relevant FCM Client Sub-Account of such FCM Client.

(iii) With respect to Futures Products, the value of money and equities accruing in connection with Futures Products in an FCM Omnibus Futures Client Account with LCH need not be separately credited by the Clearing House to individual accounts therein but may be treated and dealt with as belonging undivided to all such FCM Clients having positions in Futures Products through the FCM Clearing Member which if closed would result in a credit to such FCM Clients.

(iv) With respect to Foreign Futures Products, the value of money and equities accruing in connection with Foreign Futures Products in an FCM Omnibus Foreign Futures Client Account with LCH need not be separately credited by the Clearing House to individual accounts therein but may be treated and dealt with as belonging undivided to all such FCM Clients having positions in Foreign Futures Products through the FCM Clearing Member which if closed would result in a credit to such FCM Clients.

(j) **Use of FCM Swaps Client Funds Restricted**.

(i) No FCM Clearing Member shall use, or permit the use of, FCM Swaps Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Swaps Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Swap Products or (B) other Cleared Swaps.

(ii) FCM Client Funds held in an FCM Swaps Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Swap Product, Cleared Swap or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

(k) **Use of FCM Futures Client Funds Restricted**.

(i) No FCM Clearing Member shall use, or permit the use of, FCM Futures Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Futures Client Funds held in an FCM Futures Client Segregated Depository Account shall not be used to carry trades or positions other than in connection with (A) Futures Products or (B) other Futures/Options Contracts.

(ii) FCM Client Funds held in an FCM Futures Client Segregated Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Futures Product, Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

(ka) **Use of FCM Foreign Futures Client Funds Restricted**.

(viii) No FCM Clearing Member shall use, or permit the use of, FCM Foreign Futures Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its FCM Clients. FCM Foreign Futures Client Funds held in an FCM Foreign Futures Client Secured Amount Depository Account shall not be used to carry trades or positions other than in connection with (A) Foreign Futures Products or (B) other Foreign Futures/Options Contracts.

(ix) FCM Client Funds held in an FCM Foreign Futures Client Secured Amount Depository Account that are deposited by a specific FCM Client shall not be used to purchase, margin or settle any Foreign Futures Product, Foreign Futures/Options Contracts or other trade or contract of, or to secure or extend the credit of, any person other than such FCM Client.

(l) **Interest of FCM Clearing Members in FCM Client Funds; Additions and Withdrawals**. FCM Regulation 7(g), FCM Regulation 7(h) and FCM Regulation 7(ha), which prohibit the commingling of any FCM Client Funds with the funds or assets of an FCM Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in FCM Client Funds, segregated as required under Section 4d of the CEA, the CFTC Regulations and the FCM Rulebook, as applicable, and set apart for the benefit of FCM Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to FCM Client Funds in an FCM Client Segregated Depository Account such amount or amounts of money, from its own funds or unencumbered securities from its own inventory of the type permitted under FCM Regulation 7(n), as it may deem necessary to ensure that such FCM Client Segregated Depository Account holds at all times, at a minimum, an amount equal to the amount required by the CEA, CFTC Regulations and the FCM Rulebook. The books and records of an FCM Clearing Member shall at all times accurately reflect its interest in the segregated FCM Client Funds. An FCM Clearing Member may draw upon FCM Client Funds in the relevant FCM Client Segregated Depository Account to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in such FCM Client Segregated Depository Account; **provided**, that any such withdrawals do not result in any such account holding less in segregated FCM Client Funds than such account is required to contain at such time.

(m) **Funds Held in FCM Client Segregated Depository Accounts; Exclusions Therefrom**. Money held in an FCM Swaps Client Segregated Depository Account, an FCM Futures Client Segregated Depository Account, or an FCM Foreign Futures Client Secured Amount Depository Account by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which may be used for a purpose other than to purchase,

margin, guarantee, secure, transfer, adjust, or settle the FCM Contracts of the FCM Clients of such FCM Clearing Member.

(n) **Investments of FCM Client Funds**.

(i) An FCM Clearing Member may invest FCM Client Funds as permitted by and in accordance with the terms and conditions set forth in CFTC Regulations 1.25 and/or 30.7, as applicable.

(ii) The Clearing House may invest Collateral held on behalf of FCM Clients:

(A) in respect of clearing Swaps and Futures Products, in U.S. Treasury Securities (in accordance with the FCM Procedures) as permitted by and in accordance with the terms and conditions set forth in CFTC Regulation 1.25; and subject to all other Applicable Law, including Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012. Any investment of such Collateral by the Clearing House shall also comply with any other applicable requirements under Applicable Law, including the applicable requirements set out in Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (including, in particular, Article 47 of such Regulation) and in the relevant provisions of Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012; and

(B) in respect of clearing Foreign Futures Products, as permitted by and in accordance with Articles 43, 45 and Annex II of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012. Any investment of such Collateral by the Clearing House shall also comply with any other applicable requirements under Applicable Law, including the applicable requirements set out in Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (including, in particular, Article 47 of such Regulation) and in the relevant provisions of Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012.

(o) **Deposit of Instruments Purchased with FCM Client Funds**.

(i) Each FCM Clearing Member that invests FCM Client Funds in instruments permitted under FCM Regulation 7(n) shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients, to the extent required under the CEA and the CFTC Regulations. Such instruments, when deposited with a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Each FCM Clearing Member, upon opening an FCM Swaps Client Segregated Depository Account, an FCM Futures Client Segregated Depository Account or an FCM Foreign Futures Client Secured Amount Depository Account, as the case may be, shall obtain and retain in its files an

acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.

(ii) This paragraph applies to the Clearing House's investment of money belonging or accruing to FCM Clients of its FCM Clearing Members in connection with clearing Swaps Products and Futures Products. When the Clearing House makes such investments in instruments permitted under FCM Regulation 7(n), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such FCM Clients; **provided**, that any such instruments may be held in commingled accounts other on behalf of all applicable FCM Clients of all FCM Clearing Members, at one or more Permitted Depositories. Such instruments, when deposited with Permitted Depository, shall be deposited under an account name which will clearly show that they belong to FCM Clients and are segregated as required by the CEA, CFTC Regulations and the FCM Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such Permitted Depository that it was informed that the instruments belong to FCM Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

(p) **Record of Investments**.

(i) Each FCM Clearing Member that invests FCM Client Funds shall keep a record showing the following:

(A) The date on which such investments were made;

(B) The name of the person through whom such investments were made;

(C) The amount of money or current market value of securities so invested;

(D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;

(E) The identity of the depositories or other places where such instruments are held;

(F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;

(G) The name of the person to or through whom such investments were disposed of; and

(H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.

(ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of FCM Client Funds, the Clearing House shall keep a record showing separately for each clearing member the following:

(A) The date on which such documents were received from the clearing member;

(B) A description of such documents, including the CUSIP or ISIN numbers; and

(C) The date on which such documents were returned to the clearing member or the details of disposition by other means.

(iii) Such records shall be retained in accordance with CFTC Regulation 1.31 and other Applicable Law, including, with respect to the Clearing House, Regulation (EU) No 648/2012 of European Parliament and the Council of 4 July 2012 (including the requirement to maintain records for a period of ten years). No such investments shall be made except in instruments permitted under FCM Regulation 7(n).

(q) **Valuation of Instruments Purchased with FCM Client Funds**. FCM Clearing Members who invest FCM Client Funds in instruments permitted under FCM Regulation 7(n) shall include such instruments in the records and reports for their FCM Client Segregated Depository Accounts at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.

(r) **Increment or Interest Resulting from Investment of FCM Client Funds**. The investment of FCM Client Funds in instruments permitted under FCM Regulation 7(n) shall not prevent an FCM Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.

(s) **FCM Swaps Client Segregated Depository Accounts; Daily Computation and Record**.

(i) Each FCM Clearing Member must compute as of the close of the previous Business Day:

(A) the aggregate amount of FCM Swaps Client Funds on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of FCM Clients, including the amount attributable to each individual FCM Client;

(B) the amount of such FCM Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Swaps Client Segregated Depository Accounts on behalf of such FCM Clients, including the amount attributable to each individual FCM Client; and

(C) the amount of the FCM Clearing Member's residual interest in such FCM Client Funds.

(ii) In computing the aggregate amount of funds required to be in its FCM Swaps Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (*i.e.*, "securities haircuts") as set forth in Rule 15c3–1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3–1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3–1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3–1(c)(11)(i)).

(iii) The daily computations required by this FCM Regulation 7 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

(t) **FCM Futures Client Segregated Depository Accounts; Daily Computation and Record**.

(i) Each FCM Clearing Member must compute as of the close of the previous Business Day:

(A) the aggregate amount of FCM Futures Client Funds on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of FCM Clients;

(B) the amount of such FCM Futures Client Funds required by the CEA, CFTC Regulations and the FCM Rulebook to be on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of such FCM Clients; and

(C) the amount of the FCM Clearing Member's residual interest in such FCM Futures Client Funds.

(ii) In computing the aggregate amount of FCM Futures Client Funds required to be in its FCM Futures Client Segregated Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (*i.e.*, "securities haircuts") as set forth in

Rule 15c3–1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3–1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3–1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3–1(c)(11)(i)).

(iii) The daily computations required by this FCM Regulation 7 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

(ta) **FCM Foreign Futures Client Secured Amount Depository Accounts; Daily Computation and Record.**

(x) Each FCM Clearing Member must compute as of the close of the previous Business Day:

(A) the aggregate amount of FCM Foreign Futures Client Funds on deposit in its FCM Foreign Futures Client Secured Amount Depository Accounts on behalf of FCM Clients;

(B) the amount of such FCM Foreign Futures Client Funds required to be on deposit in its FCM Futures Client Segregated Depository Accounts on behalf of such FCM Clients pursuant to CFTC Regulation 30.7; and

(C) the amount of the FCM Clearing Member's residual interest in such FCM Foreign Futures Client Funds.

(ii) In computing the aggregate amount of FCM Foreign Futures Client Funds required to be in its FCM Foreign Futures Client Secured Amount Depository Accounts, an FCM Clearing Member may offset any net deficit in a particular FCM Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3–1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3–1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with a Permitted Depository. For purposes of this section, a security will be considered readily marketable if it is traded on a "ready market" as defined in Rule 15c3–1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3–1(c)(11)(i)).

(iii) The daily computations required by this FCM Regulation 7 must be completed by the FCM Clearing Member prior to 12:00 hours (London time) on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.

(u) **Classification of Customer Property by an FCM Clearing Member**. In accordance with CFTC Regulation 1.36(a), each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from FCM Clients in lieu of money to margin, purchase, guarantee or settle the cleared FCM Contracts of such FCM Clients. Such record shall show separately for each FCM Client:

(i) a description of the securities or property received;

(ii) the name and address of such FCM Client;

(iii) the dates when the securities or property were received;

(iv) the identity of the Permitted Depositories or other places where such securities or property are segregated;

(v) the dates of deposits and withdrawals from such Permitted Depositories; and

(vi) and the dates of return of such securities or property to such FCM Client, or other disposition thereof, together with the facts and circumstances of such other disposition.

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

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

(i) the dates when such securities or property were received;

(ii) the identity of the Permitted Depositories or other places where such securities or property are segregated; and

(iii) the dates such securities or property were returned to the relevant FCM Clearing Member, or otherwise disposed of, together with the facts and circumstances of such other disposition including the authorization therefor.

(w) **CFTC Regulations**. Without limitation of any other provisions of the FCM Rulebook, FCM Clearing Members shall at all times comply in all respects with the

applicable provisions of Part 1, Part 22, Part 30 and Part 190 of the CFTC Regulations, as well as any other applicable CFTC Regulations, including as provided in FCM Regulation 7(x).

(x) **Change in Law or Regulations**. The Clearing House shall enforce the rules set forth in this FCM Regulation 7 (and set forth in these FCM Regulations generally) at all times in accordance with and subject to the CEA and the CFTC Regulations. In the event that a change in law or in the CFTC Regulations occurs but has not yet been reflected appropriately in the FCM Rulebook, the CFTC Regulations (to the extent compliance therewith has become mandatory under CFTC Regulations) and Applicable Law will prevail, the provisions of this FCM Rulebook shall be deemed to be modified accordingly and the Clearing House will enforce these FCM Regulations in accordance with the CFTC Regulations and Applicable Law.

## REGULATION 8 PROPRIETARY ACCOUNTS AND TRADING

(a) If and to the extent permitted in the FCM Procedures, FCM Clearing Members shall be permitted to clear FCM Transactions entered into by them through their Proprietary Accounts.

(b) This paragraph applies to an FCM Clearing Member's Proprietary Accounts. In the event that more than one Proprietary Account is opened in respect of an FCM Clearing Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the FCM Clearing Member's Proprietary Accounts, treat all such accounts as a single account and set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the FCM Clearing Member's liabilities to the Clearing House on any one or more of such accounts or in or towards payment or satisfaction of any other obligations of the FCM Clearing Member to the Clearing House; **provided, that** no amount standing to the credit of any such an account shall be applied in or towards payment or satisfaction of any obligations of the FCM Clearing Member to the Clearing House arising in connection with FCM Client Business, except (i) in the case of Excess Margin or (ii) in respect of an FCM Clearing Member, which is a Defaulter, in accordance with Rule 8(d) of the Default Rules.

## REGULATION 9 CERTAIN GENERAL PROVISIONS APPLICABLE TO ACCOUNTS

(a) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding: (i) its FCM Clients for which it provides FCM Clearing Services; (ii) the FCM Contracts cleared for its FCM Clients; (iii) FCM Contracts cleared in its Proprietary Account; and (iv) the Collateral and Margin balance in respect of each type of cleared FCM Contracts described in (i) – (iii), subject to the provisions of the following paragraph (e). Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the FCM Contracts and the value of any Collateral attributed to each FCM Omnibus Client Account with LCH and each FCM Client Sub-Account therein (where applicable) for the relevant FCM Clients.

(b) No FCM Clearing Member may withdraw any amount from any of its FCM Omnibus Client Accounts with LCH or its Proprietary Account if such withdrawal would cause the account's Margin balance to be less than the Required Margin then attributable to such FCM Omnibus Client Account with LCH or to such Proprietary Account, as applicable, as determined by the Clearing House in accordance with the provisions of the FCM Rulebook; **provided**, **that** the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from any of its Proprietary Account(s) if the FCM Client Sub-Account Balance in any of its FCM Client Sub-Accounts would be less than the Required Margin then attributable to any such FCM Client Sub-Account and there is an insufficient amount of FCM Buffer (within the applicable FCM Omnibus Swaps Client Account with LCH) available to offset any such deficiencies.

(c) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to the Clearing House for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.

(d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Rules may be applied as provided for in the Default Rules.

(e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.

(f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Rules) be paid, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any of the FCM Clearing Member's accounts.

(g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a

rate determined from time to time by the Clearing House in accordance with the FCM Procedures.

(h) Subject to the provisions of the Default Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.

(i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 37, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member to the extent permitted under Applicable Law, provided, however, that in accordance with the FCM Rulebook, including FCM Regulation 7, and Applicable Law, an FCM Clearing Member's obligations to the Clearing House may never be set off with amounts in or owed with respect to an FCM Client Sub-Account, except for obligations solely in respect of that FCM Client Sub-Account or another FCM Client Sub-Account of the same FCM Client.

(j) Where a payment has been made to the Clearing House by an FCM Clearing Member through the relevant account(s), that payment will only be credited to the account of the applicable FCM Clearing Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) that institution has made any relevant payments to other FCM Clearing Members on the date when the payment was due to be received by the Clearing House.

## REGULATION 10 ACKNOWLEDGEMENTS AND AGREEMENTS OF FCM CLIENTS

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

(a) the services provided by the Clearing House with regard to the FCM Clearing Services will be subject to and governed by the FCM Rulebook between the Clearing House and the FCM Clearing Member;

(b) the FCM Regulations shall govern the registration of FCM Contracts and all transactions between an FCM Client and its FCM Clearing Member resulting in the registration of FCM Contracts, and at the time of registration of an FCM Contract the FCM Client on whose behalf it was registered will be deemed to be bound by the relevant FCM Contract on the terms entered into between the FCM Clearing Member and the Clearing House (including all applicable terms of the FCM Regulations and the FCM Product Specific Contract Terms and Eligibility Criteria Manual) automatically and without any further action by such FCM Client or by its FCM Clearing Member, and such FCM Client agrees to be bound by the applicable provisions of the FCM Regulations and by the terms of the applicable FCM Contracts in all respects;

(c) the provisions of FCM Regulation 44 (*Exclusion of Liability*) shall apply to each FCM Client *mutatis mutandis* as though entered into by each FCM Client directly with the Clearing House;

(d) the Clearing House shall be under no obligation to deal directly with any FCM Client, and the Clearing House may deal exclusively with the FCM Clearing Members;

(e) the Clearing House shall have no obligations to any FCM Client with respect to any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client, including to any repayment or redelivery obligations;

(f) no FCM Client shall have any right to receive from the Clearing House, or any right to assert a claim against the Clearing House with respect to, nor shall the Clearing House be liable to any FCM Client for, any payment or delivery obligation in connection with any FCM Contract held by the relevant FCM Clearing Member on behalf of such FCM Client and the Clearing House shall make any such payments or redeliveries solely to the FCM Clearing Member;

(g) upon the default of an FCM Client's FCM Clearing Member, if the Clearing House is required to do so by any Regulatory Body or Applicable Law or regulations, or determines in its discretion that it is necessary for its protection, the Clearing House may close out and terminate the FCM Client's FCM Contracts entered into by such FCM Clearing Member, subject to Applicable Law, regardless of whether such FCM Client had itself defaulted, and in certain circumstances the Clearing House will not transfer or otherwise re-establish such positions;

(h) the Clearing House will not hold any assets transferred to it on behalf of any individual FCM Client;

(i) where an FCM Clearing Member furnishes securities or other assets with respect to an FCM Client to the Clearing House as collateral, such securities and other assets shall be held by the Clearing House in accordance with the FCM Rulebook and Applicable Law, and such FCM Client shall not be entitled to assert any equitable or other claim to any such securities or assets in circumstances where the assertion of such a claim would delay or inhibit (x) the disposal by the Clearing House of such securities or assets and/or (y) the application of the proceeds of sale of such securities or assets, in each case in accordance with the provisions of the FCM Rulebook and Applicable Law; and

(j) each FCM Client provides its respective FCM Clearing Member(s) with its unconditional consent for such FCM Clearing Member(s) to furnish or deposit to or with the Clearing House any FCM Client Funds of such FCM Client in the FCM Clearing Member's possession, and to repledge such property to the Clearing House, as Collateral for the purposes of clearing FCM Contracts entered on behalf of the FCM Client.

## CHAPTER IV - CONTRACT FORMATION, REGISTRATION AND TRANSFER

### REGULATION 11 DESIGNATION

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

## REGULATION 12 TRADING INFORMATION

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

## REGULATION 13 TRANSFER

Except as otherwise expressly provided herein, the provisions of FCM Regulation 13(a), (b), (c), (d), (f), (j) and (k) do not apply in respect of transfers of FCM SwapClear Contracts.

(a) **Transfer of FCM Client Contracts and Collateral from Carrying Clearing Members to Receiving Clearing Members**. A Receiving FCM Clearing Member may, upon the instruction or at the request of an FCM Client, request (in the manner set out in the FCM Procedures) that the Clearing House transfer to the Receiving Clearing Member some or all of an FCM Client's FCM Contracts registered to its FCM Client Sub-Account, an FCM Omnibus Futures Client Account with LCH, or to an FCM Omnibus Foreign Futures Client Account with LCH with a Carrying Clearing Member (such FCM Contracts subject to transfer, the "**Porting Contracts**"). Where the Porting Contracts constitute the entire portfolio of an FCM Client's FCM Contracts registered with the Carrying Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the applicable Collateral attributable to such FCM Client (such Collateral, the "**Porting Collateral**"). It is a condition precedent to any transfer described in this paragraph that:

(i) the FCM Client has not become insolvent (such FCM Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);

(ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;

(iii) the Receiving FCM Clearing Member has consented to the transfer of the Porting Contracts and, if applicable, the Porting Collateral;

(iv) the Clearing House determines that, following the transfer, the Receiving FCM Clearing Member shall have satisfied the Required Margin in respect of the Porting Contracts;

(v) in the event that the transfer would lead to an increase in Required Margin due from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and

(vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of clause (vi) above, the Carrying Clearing Member will be entitled to reject the transfer only if (A) the applicable FCM Client has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its affiliates, including any increased Margin due and payable that may result from the proposed transfer (for this purpose, "obligations" shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar

arrangements with respect to the Porting Contracts of the FCM Client which are being transferred, or the FCM Client's related Collateral), (B) the transfer of the Porting Contracts would result in the FCM Client breaching exposure limits with, and/or other risk parameters set by the Carrying CM Clearing Member and/or its affiliates, or (C) such rejection is otherwise in accordance with terms agreed as between the Carrying FCM Clearing Member and the relevant FCM Client.

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

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

(c) **Additional Provisions Relating to Transfers of Client Positions from Carrying Clearing Members to Receiving Clearing Members**.

(i) Further to the satisfaction of the conditions set out in FCM Regulation 13(a) and FCM Regulation 13(b), and provided that the Clearing House does not determine, in its sole discretion, that (x) a transfer pursuant to FCM Regulation 13(a) cannot be effected under the Rulebook or otherwise under Applicable Law or (y) where the transfer is as described in paragraph (b) of the definition of "Receiving Clearing Member", additional conditions as set out in Regulation 60 of the UK General Regulations need to be complied with, the Clearing House shall transfer the Porting Contracts into the name of the Receiving Clearing Member as follows: (A) where the Receiving Clearing Member is the same entity as the FCM Client, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the Proprietary Account of the Receiving Clearing Member; (B) in all other cases, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the relevant FCM Client Sub-Account, FCM Omnibus Futures Client Account with LCH or FCM Omnibus Foreign Futures Client Account with LCH of the Receiving Clearing Member (where the Receiving Clearing Member is an FCM Clearing Member) or otherwise to the relevant Individual Segregated Account, Omnibus Segregated Account or Custodial Segregated

Account of the Receiving Clearing Member as the case may be (where the Receiving Clearing Member is not an FCM Clearing Member). In respect of a transfer pursuant to FCM Regulation 13(a) where the Receiving Clearing Member is not an FCM Clearing Member, all of the FCM Contracts to be transferred (which are subject to the FCM Rulebook) shall, upon transfer, be converted to Contracts subject to the Rulebook (as defined in the UK General Regulations) but shall otherwise remain on the same contract terms.. The transfer of the Porting Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Porting Contracts to the Receiving Clearing Member.

(ii) In the case where a transfer pursuant to FCM Regulation 13(a) will include the transfer of Porting Collateral in addition to the transfer of Porting Contracts:

(A) Upon completion of the transfer, (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such Porting Collateral; and (y) the Porting Collateral furnished to the Clearing House by the Carrying Clearing Member and held by the Clearing House in respect of the Porting Contracts shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House (aa) where the Receiving Clearing Member is not an FCM Clearing Member, in the case of cash Collateral, by way of title transfer and, in the case of non-cash Collateral, shall be held by the Clearing House on behalf of the Receiving Clearing Member and such Receiving Clearing Member's rights in such non-cash Collateral shall become subject to the relevant Deed of Charge of the Receiving Clearing Member, or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook. Furthermore, and 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 Porting Collateral transferred.

(B) Where all or a portion of the Porting Collateral has been accepted by the Receiving FCM Clearing Member, the transfer of the Porting Contracts and the accepted Porting Collateral shall be deemed to occur simultaneously, and the transfer of the Porting Contracts shall be conditioned on the transfer of the accepted Porting Collateral, and vice versa.

(C) If the transfer of all Porting Contracts and (if applicable) all accepted Porting Collateral is not completed for any reason, then any actual transfer of Porting Collateral or Porting Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Porting Collateral or Porting Contracts that has occurred shall be immediately unwound.

(d) **Other Transfers of FCM Contracts**. If and to the extent permitted under Applicable Law, and , where applicable, under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may:

(i) upon an FCM Client Default or other FCM Client default, or as otherwise permitted under and subject to Applicable Law (including the applicable provisions of the CEA, the FCM Procedures and CFTC Regulations regarding the segregation of assets),

(A) in the case of Swaps Products, effect the transfers described in Section 2.1.13(a) or (b) of the FCM Procedures,

(B) in the case of Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member to its applicable FCM Omnibus Futures Client Account with LCH; or

(C) in the case of Foreign Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member to its applicable FCM Omnibus Foreign Futures Client Account with LCH, or

(ii) transfer Open FCM Contracts registered to or for the account of one FCM Client to another account of an FCM Client.

(e) **Where an FCM Clearing Member is a Defaulter**. If an FCM Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients. If possible under such Applicable Law and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are Swap Products held by FCM Clients of the Defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients within seven calendar days of the date that the FCM Clearing Member is declared to be a Defaulter; **provided**, **that** the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations, any instructions from a Regulatory Body and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; **provided**, **further**, **that** the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the Defaulter in accordance with such Applicable Law or the directions of any Regulatory Body or bankruptcy trustee. For the avoidance of doubt, the Client Clearing Annex which forms part of the Default Rules does not apply to FCM Contracts. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open FCM Contracts of FCM Clients of the Defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio

if determined to be appropriate by the Clearing House, **provided**, **that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided**, **that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the provisions of the Rates Service DMP Annex or the ForexClear DMP Annex, respectively.

(f) **Clearing Member Instructions**.

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

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

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

(h) **Indemnity**. The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred

by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than pursuant to the grounds set out in the final paragraph of FCM Regulation 13(a).

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

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

(k) **Swaps Products.** Transfers of FCM Contracts that are Swaps Products (other than FCM SwapClear Contracts) made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding FCM Transaction for registration or the allocation of the relevant FCM Contract; or (iii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this FCM Regulation 13 are subject to the provisions of the FCM Procedures.

## CHAPTER V - COLLATERAL AND VALUATIONS

### REGULATION 14 MARGIN AND COLLATERAL

(a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with Margin, and to keep the Clearing House furnished with sufficient Margin at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM Contracts from time to time to be registered in its name as Open FCM Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish Margin to the Clearing House pursuant to this paragraph shall be **in addit**ion to any other obligation of the FCM Clearing Member to furnish Margin or make any other payment to the Clearing House pursuant to these FCM Regulations. For the avoidance of doubt, margining requirements and policies may vary among each Business Category of FCM Contract and among each Product therein.

(b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any Collateral deposited by an FCM Clearing Member as Margin is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such Margin as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.

(c) (i) The Clearing House shall be entitled to assume that all Collateral furnished by an FCM Clearing Member to the Clearing House pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish Collateral to or with the Clearing House otherwise than in conformance with this paragraph. It shall be accepted by every person (including FCM Clients) subject to or dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish to the Clearing House any securities or other assets of such person in the FCM Clearing Member's possession as Collateral for purposes of the FCM Rulebook.

(ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes Collateral to the Clearing House pursuant to these FCM Regulations (A) that such FCM Clearing Member is the sole legal and beneficial owner of such Collateral or, as the case may be, such Collateral is so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such Collateral pursuant to

these FCM Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

(iii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish other securities or assets to the Clearing House in substitution of any Collateral furnished to the Clearing House pursuant to this FCM Regulation 14.

(d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM Contract or to call for larger or additional amounts of Margin for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any Margin called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.

(e) The Clearing House shall be entitled at any time to demand immediate provision of Margin from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open FCM Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such Margin by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such FCM Contracts or under the terms of any original or confirmed contract to which the FCM Clearing Member is party. In this paragraph, "**immediate provision**" means payment, deposit or delivery to the Clearing House within one hour of demand.

(f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as Collateral in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.

(g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept Collateral in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures, the requirements of Applicable Law and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.

(h) If, in the sole discretion of the Clearing House, any Collateral which has been furnished to it by an FCM Clearing Member pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of Collateral from such FCM Clearing Member. Such Collateral shall be furnished by such FCM Clearing

Member on demand in a form prescribed by the FCM Procedures; **provided**, **that** at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with Collateral in a specified form and to demand that the FCM Clearing Member replace the whole or part of any Collateral furnished by an FCM Clearing Member pursuant to these FCM Regulations with Collateral in the form of cash.

(i) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to FCM Regulation 15 and paragraph (h) above and the settlement of any other obligations of an FCM Clearing Member to the Clearing House, upon the close-out or termination of an FCM Contract in accordance with the FCM Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such FCM Contract to the respective FCM Clearing Member to the extent that such Initial Margin has become Excess Margin following the close-out or termination of the relevant FCM Contract, **provided, that** such FCM Clearing Member is not a Defaulter.

(j) If the Clearing House takes any step under the Default Rules in relation to an FCM Clearing Member, any sum (including the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as Margin to the extent permitted by Applicable Law; **provided**, **that** notwithstanding any provision to the contrary in these FCM Regulations, under no circumstances will any Margin maintained in any FCM Omnibus Client Account with LCH be applied to satisfy proprietary obligations of the FCM Clearing Member or, except as may be required to comply with Applicable Law or any order or instruction of a Regulatory Body or court, any other obligations not related to such FCM Clearing Member's FCM Client Business in such Business Category of FCM Contract; **provided, however, that** where an FCM Client is in default with respect to the Margin required by the Clearing House in respect of its FCM Contracts, any Excess Margin attributable to such FCM Client in respect of any Business Category of FCM Contract may be applied to offset such FCM Client's Margin shortfall in respect of any other Business Category of FCM Contract).

(k) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 4, shall be obligated to perform all of its respective obligations (including to pay or deliver all amounts due) as required pursuant to the FCM Regulations and the Default Rules, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation 4, shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations and the Default Rules, as applicable.

(l) Unless the Clearing House otherwise agrees in writing, Collateral furnished to the Clearing House in the form of cash shall not be capable of assignment by any person. Any such purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of Collateral in the form of cash shall be void. An FCM Clearing Member shall not otherwise encumber (or seek to encumber) any Collateral in the form of cash, except as provided under this FCM Regulation 14.

(m) **Creation of Security Interest**. Each FCM Clearing Member hereby grants the Clearing House a first priority security interest in and a first priority and

unencumbered first lien upon any and all Collateral, Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including all property deposited in or attributable to a Proprietary Account, an FCM Omnibus Client Account with LCH, an LCH Client Depository Account, or any amounts owing to an FCM Clearing Member or a Proprietary Account, but excluding any Settlement Payment), in each case to the extent transferred in accordance with the FCM Regulations, including all substitutions for and proceeds of, any such property, in connection with any FCM Contracts cleared for such FCM Clearing Member or its FCM Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House under the FCM Rulebook, but excluding any property deposited in or transferred to the Clearing House in respect of an FCM Clearing Member's Contribution(s) to the default funds of the Clearing House.

(n) The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder.

(o) The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and Applicable Law.

(p) Notwithstanding any other provision of this FCM Regulation 14(p), in no event shall the Clearing House's security interests in the property attributable to an FCM Clearing Member's FCM Omnibus Client Account with LCH be security for, or be exercised to satisfy, any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus Client Accounts with LCH or (ii) an FCM Client by application of Margin attributable to the FCM Client Sub-Account of a different FCM Client.

(q) Provided that the Clearing House is not subject to the procedures of FCM Regulation 37 and is not otherwise insolvent, the Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to sell, pledge, rehypothecate, assign, invest, use or otherwise dispose of, or otherwise use in its business any cash Collateral it holds on behalf of an FCM Clearing Member with respect to such FCM Clearing Member's Proprietary Account, free from any claim or right of any nature whatsoever of the relevant FCM Clearing Member, including any equity or right of redemption by such FCM Clearing Member, subject only to any restrictions under Applicable Law (including bankruptcy law). Except to the extent otherwise specified for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other monies received with respect to any such investments or use. For purposes of determining the amount of Collateral held pursuant to the FCM Rulebook by the Clearing House with respect to an FCM Clearing Member's Proprietary Account, the Clearing House will be deemed to continue to hold all such Collateral and to receive any distributions or proceeds therefrom, regardless of whether the Clearing House has exercised any rights with respect to the Collateral listed in the immediately preceding sentence.

(r) The Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to maintain or otherwise handle Collateral held by the Clearing House on behalf of FCM Clients (including Collateral deposited in or attributable to an FCM Omnibus Client Account with LCH or any LCH Client Depository Account) in the manner provided in the FCM Rulebook, including investing such Collateral in accordance with FCM Regulations 7(n). Except to the extent otherwise provided for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other monies received with respect to any such investments or use.

(s) Although each FCM Clearing Member and the Clearing House intend the payment of each Contribution by the FCM Clearing Member to the Clearing House to be an outright payment or transfer by the FCM Clearing Member to the Clearing House (subject to the Clearing House's obligation to repay Contributions pursuant to FCM Default Fund Agreement and/or the Default Fund Rules), in the event that any or all of a Contribution is deemed to be collateral posted to the Clearing House by the FCM Clearing Member (in which the FCM Clearing Member retains an ownership interest), then, notwithstanding clause (m) above, the FCM Clearing Member shall be deemed to have pledged to the Clearing House as security for unconditional payment and satisfaction of each and every obligation and liability of the FCM Clearing Member to the Clearing House under the FCM Rulebook, and the FCM Clearing Member shall be deemed to have granted the Clearing House a first priority security interest in, the amount of any Contribution that has been deemed to be collateral and any income thereon and other proceeds thereof, and the Clearing House shall have all of the rights of use in respect of such Contributions as referenced in FCM Regulation 14(q) and any other additional rights provided for under the FCM Rulebook.

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

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

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

(i) *Swap Products*. FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Swap Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single

Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.

(ii) *Futures Products*. FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 14(v), each FCM Clearing Member which clears Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 7(c).

(iii) *Foreign Futures Products*. FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Foreign Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client's position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 14(v), each FCM Clearing Member which clears Foreign Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 7(ca).

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

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

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

(i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Futures Client Account with LCH or the applicable FCM Omnibus Foreign Futures Client Account with LCH; or

(ii) if the obligation of the FCM Clearing Member to satisfy the deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

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

(i) if and to the extent that there is Excess Margin available in the FCM Clearing Member's Proprietary Account, deduction by the Clearing House of amounts from such Excess Margin;

(ii) the FCM Clearing Member furnishing additional Margin to the Clearing House in respect of such Proprietary Account; or

(iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

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

(i) *Swap Products*. Certain provisions regarding Excess Margin in FCM Omnibus Swaps Client Accounts with LCH and the FCM Client Sub-Accounts therein (under both the Without Client Excess Model and the With Client Excess Model) are set forth in FCM Regulation 15.

(ii) *Futures Products*. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Futures Client Account with LCH subject to FCM

Regulation 9(b) (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 7(l) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

(iii) *Foreign Futures Products*. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Foreign Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Foreign Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Foreign Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Foreign Futures Client Account with LCH subject to FCM Regulation 9(b) (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Foreign Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Foreign Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 7(l) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Foreign Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

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

(cc) **FCM Portfolio Margining Service.** The Clearing House shall provide the FCM Portfolio Margining Service subject to and in accordance with the terms of the FCM Procedures. The FCM Portfolio Margining Service may require the transfer of Futures Products or Foreign Futures Products from an FCM Clearing Member's FCM Omnibus Futures Client Account with LCH or FCM Omnibus Foreign Futures Client Account with LCH to such FCM Clearing Member's FCM Omnibus SwapClear Client Account of LCH.

**REGULATION 15 MARGINING OF SWAP PRODUCT CLIENT ACCOUNTS: CERTAIN ADDITIONAL PROVISIONS; WITHOUT CLIENT EXCESS MODEL; WITH CLIENT EXCESS MODEL**

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

(a) **FCM Buffer**. An FCM Clearing Member is permitted to furnish Collateral that is the property of such FCM Clearing Member (and not of its FCM Clients) to the Clearing House to be attributed to any of its FCM Omnibus Swaps Client Accounts with LCH as excess Margin for the benefit of all of its FCM Clients with positions registered or to be registered in such account, and the value of such Collateral as determined by the Clearing House in accordance with the FCM Rulebook (such value, the "**FCM Buffer**") shall be recorded by the Clearing House as attributable to such FCM Clearing Member (for the benefit of its FCM Clients) in a sub-account of the applicable FCM Omnibus Swaps Client Account with LCH designated as an FCM Buffer sub-account (each such sub-account, with respect to each FCM Clearing Member, an "**FCM Buffer Sub-Account**"). The use and application of FCM Buffer in the With Client Excess Model and the Without Client Excess Model is further discussed below in paragraphs (e) and (f), respectively, and in the FCM Procedures.

(b) **Unallocated Excess**.

(i) Any Margin attributable to an FCM Omnibus Swaps Client Account with LCH that is not allocated to an FCM Client Sub-Account or the FCM Buffer Sub-Account therein (such Margin, "**Unallocated Excess**") shall be credited by the Clearing House to the Unallocated Excess sub-account (the "**Unallocated Excess Sub-Account**") of such FCM Omnibus Swaps Client Account with LCH. The Clearing House shall hold Unallocated Excess for the benefit of the FCM Clients corresponding to such FCM Omnibus Swaps Client Account with LCH as a class (the identities and amounts of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this FCM Regulation 15 and other applicable provisions of the FCM Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Omnibus Swaps Client Account with LCH on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual FCM Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable FCM Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).

(ii) Each FCM Clearing Member that maintains Unallocated Excess in any of its Unallocated Excess Sub-Accounts on behalf of its applicable FCM Clients shall ensure that its books and records accurately reflect at all times the FCM Client or FCM Clients to which such Unallocated Excess is attributable and the amount attributable to each such FCM Client.

(iii) Subject to paragraph (v) below, the Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess to the FCM

Clearing Member's Proprietary Account, or (y) except in accordance with an instruction (provided in accordance with the FCM Rulebook) by the applicable FCM Clearing Member, apply Unallocated Excess to an FCM Client Sub-Account or to the FCM Buffer Sub-Account.

(iv) Upon the request of an FCM Clearing Member (including as a result of a standing instruction of an FCM Clearing Member) in accordance with the FCM Procedures, the Clearing House will return Unallocated Excess to an FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the FCM Rulebook.

(v) Upon the default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member's Unallocated Excess Sub-Accounts shall be held by the Clearing House for the benefit of the applicable FCM Clients in accordance with Part 190 of the CFTC Regulations and Applicable Law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the FCM Clearing Member to the Clearing House (on behalf of its FCM Clients or otherwise) except to the extent required by Applicable Law and/or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with Applicable Law.

(vi) Certain additional procedures relating to Unallocated Excess differ based on whether the FCM Omnibus Swaps Client Accounts with LCH to which such Unallocated Excess corresponds is subject to the Without Client Excess Model or the With Client Excess Model, as such models are described in FCM Regulation 15(c) and FCM Regulation 15(d) (and in other applicable provisions of the FCM Rulebook).

(c) **Without Client Excess Model**. The provisions of this FCM Regulation 15(c) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which prohibits the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**Without Client Excess Model**"). An alternative model which permits such Excess Margin to be maintained (the With Client Excess Model) is described in FCM Regulation 15(d). The Without Client Excess Model is the default model that shall apply to an FCM Clearing Member's FCM Omnibus Swaps Client Accounts with LCH, and such model shall apply to all such accounts except where an FCM Clearing Member, to the extent permitted by the FCM Procedures, applies to and is approved by the Clearing House to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the alternative model (the With Client Excess Model described in FCM Regulation 15(d)).

The provisions of this FCM Regulation 15(c) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the Without Client Excess Model.

(i) **Restriction on Excess Margin in FCM Client Sub-Accounts on a Day-to-Day Basis**. Excess Margin is not permitted to be maintained in any FCM

Client Sub-Account on a day-to-day basis. However, an FCM Client's FCM Client Sub-Account is permitted to maintain Excess Margin on an intraday basis. Any Excess Margin attributable to an FCM Client Sub-Account of an FCM Client that exists in such sub-account following a daily close of the FCM Clearing Services shall be transferred by the Clearing House into the corresponding Unallocated Excess Sub-Account on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); **provided, that** all sums due from the relevant FCM Clearing Member at such time in respect of the applicable FCM Omnibus Swaps Client Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member furnishes Margin to the Clearing House on behalf of an FCM Client in an amount which would cause such FCM Client's FCM Client Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.

(ii) **Application of FCM Buffer**.

(A) The Clearing House shall be permitted to apply any portion of an FCM Clearing Member's FCM Buffer (any portion of FCM Buffer when applied, "**Encumbered FCM Buffer**") to any FCM Client Sub-Account held by such FCM Clearing Member in the same FCM Omnibus Swaps Client Account with LCH (in which such FCM Buffer is held) which is in or would become in default.

(B) At no time shall the Clearing House apply FCM Buffer in an amount that, in respect of an FCM Client, would cause the sum of the FCM Client's FCM Client Sub-Account Balance and the Encumbered FCM Buffer applicable to such FCM Client's FCM Client Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to such FCM Client Sub-Account. In the event that any such excess exists (*e.g.*, due to a decrease in Required Margin, the crediting of additional Margin attributable to such FCM Client, or other reasons) with respect to an FCM Client Sub-Account, the Clearing House shall reduce the amount of Encumbered FCM Buffer applicable to such FCM Client in an amount sufficient to remove any such excess, and any such reduced portion of Encumbered FCM Buffer shall again constitute only FCM Buffer (and shall no longer be considered Encumbered FCM Buffer).

(C) Other than any Encumbered FCM Buffer applied to an FCM SwapClear Suspension Account, any Encumbered FCM Buffer that is applied to an FCM Client Sub-Account on a Business Day and remains applied to such sub-account at the opening of the relevant FCM Clearing Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of such FCM Client's FCM Client Sub-Account Balance and shall thereafter no longer constitute Encumbered FCM Buffer or FCM Buffer.

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

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

(iii) **Unallocated Excess**.

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

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

(d) **With Client Excess Model**. The provisions of this FCM Regulation 15(d) describe certain components of the Clearing House's model for margining, in accordance with Part 22 of the CFTC Regulations, FCM Omnibus Swaps Client Accounts with LCH in a manner which provides for the maintenance of Excess Margin in FCM Client Sub-Accounts on a day-to-day basis (such model is referred to in the FCM Rulebook as the "**With Client Excess Model**"). FCM Clearing Members may, to the extent provided in the FCM Procedures, apply for the Clearing House's approval to have one or more of its FCM Omnibus Swaps Client Accounts with LCH treated in accordance with the With Client Excess Model. Any FCM Omnibus Swaps Client Account with LCH for which no such approval of the Clearing House has been obtained shall be margined in accordance with the Without Client Excess Model (described in FCM Regulation 15(c)).

The provisions of this FCM Regulation 15(d) apply only to FCM Omnibus Swaps Client Accounts with LCH that are subject to the With Client Excess Model.

(i) **Excess Margin in FCM Client Sub-Accounts**. An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Client Sub-Accounts, in accordance with the provisions of the FCM Rulebook.

(ii) **Collateral Value Reports (CVRs)**. For each FCM Omnibus Swaps Client Account with LCH maintained by an FCM Clearing Member treated in accordance with the With Client Excess Model, an FCM Clearing Member shall provide to the Clearing House, at least once on each Business Day, a "Collateral Value Report" (a "**CVR**" or "**Collateral Value Report**") that is compliant (as determined by the Clearing House in accordance with the FCM Procedures) and that instructs the Clearing House as to the appropriate allocation of the Omnibus Collateral Value attributable to each such FCM Omnibus Swaps Client Accounts with LCH among (A) each FCM Client Sub-Account therein and (B) the FCM Buffer Sub-Account therein. FCM Clearing Members are required to produce and submit CVRs in accordance with Part 22 of the CFTC Regulations and any other Applicable Law, and such CVRs must be compliant with the Clearing House's policies regarding CVRs as set forth in the FCM Procedures and as may be set forth, from time to time, in other written materials of the Clearing House made available to FCM Clearing Members. Each FCM Clearing Member shall be fully responsible for all information contained in its CVRs and the Clearing House shall be entitled to rely fully on such information and has no obligation to conduct its own investigation (although it may do so) with respect to such information. The Clearing House shall update its applicable records in accordance with the most recently submitted compliant CVR corresponding to an FCM Omnibus Swaps Client Account with LCH, and the most recent compliant CVR with respect thereto shall supersede any prior CVRs. A CVR will not be compliant if its allocation of the Omnibus Collateral Value would trigger a margin call. Additionally, a CVR may not be used to satisfy a margin call and a CVR that reallocates the Omnibus Collateral Value so as to satisfy a margin call shall not be compliant.

(iii) **Assumed Allocation**. When an FCM Clearing Member furnishes Margin to an FCM Omnibus Swaps Client Account with LCH for the purposes of satisfying a margin call issued by the Clearing House, such Margin shall be automatically allocated (such allocation, the "**Assumed Allocation**") by the Clearing House (A) among each of the FCM Client Sub-Accounts therein having at such time an FCM Client Sub-Account Balance shortfall (in respect of the amount of Required Margin then applicable to each such sub-account) and (B) such allocation shall be made on a pro rata basis based on the amount of shortfall in each such sub-account. An FCM Clearing Member is not permitted to deliver a CVR simultaneously with its deposit of Collateral in satisfaction of a margin call so as to avoid the Assumed Allocation. However, an FCM Clearing Member may subsequently deliver a CVR allocating the entire Omnibus Collateral Value in the applicable account and any prior Assumed Allocation shall not limit the ability of subsequently delivered CVRs to allocate the Omnibus Collateral Value in the normal manner as provided in the FCM Rulebook.

(iv) **Application of FCM Buffer**. The Clearing House will look to FCM Buffer to offset any FCM Client Sub-Account Balance deficits (on an aggregate basis) in the corresponding FCM Omnibus Swaps Client Account with LCH, and will not issue a margin call to an FCM Clearing Member in respect of the amounts of any such deficits to the extent such amounts could be offset by

FCM Buffer. An FCM Clearing Member that is not a Defaulter may request the return of any of its FCM Buffer that is not, at such time, being used by the Clearing House in such manner to offset any such FCM Client Sub-Account Balance deficits.

(v) **Unallocated Excess**.

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

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

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

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

(i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House on behalf of the applicable FCM Client; or

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

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

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

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

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

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

(a) The Clearing House may determine Official Quotations and Reference Prices for the purposes of these FCM Regulations and the FCM Procedures in such manner and at such times as may be prescribed in the FCM Procedures. Except as prescribed in the FCM Procedures, an Official Quotation or Reference Price is binding on an FCM Clearing Member and may in no circumstances be called in question.

(b) If the Official Quotations and/or Reference Prices prescribed in the FCM Procedures are unavailable, the Clearing House may determine, in its sole discretion, a substitute Official Quotation or Reference Price. In such circumstances, the substitute Official Quotation or Reference Price determined by the Clearing House is binding on an FCM Clearing Member and may in no circumstances be called in question.

(c) For the avoidance of doubt, the Clearing House is not responsible for and does not warrant the accuracy of any Settlement Price (including where determined by a third party) or any Reference Price.

(d) **Settlement and Revaluation**. With respect to settlement and revaluation procedures, the settlement and revaluation procedures for each Product shall be set forth in the chapter of the FCM Rulebook applicable to such Product and/or in the relevant section of the FCM Procedures.

## CHAPTER VI - OPTIONS, FCM EXCHANGE CONTRACTS SUBJECT TO DELIVERYNOTICE AND PHYSICALLY-SETTLED FCM CONTRACTS

FCM Regulation 17 through FCM Regulation 28 apply to FCM Exchange Contracts. Such FCM Regulations shall be referred to as the "**Exchange Contract Rules**".

### REGULATION 17 EXERCISE OF OPTIONS

(a) An Option may, subject to paragraph (d) below, be exercised, or deemed to be exercised, or abandoned in accordance with paragraph (b) or (c) below on the day and by the time prescribed by Exchange Rules, or where relevant, by the day and time specified in the FCM Procedures. If any prescribed day is not a Business Day, an Option may be exercised, deemed to be exercised, or abandoned on such day as may be prescribed by the relevant Exchange Rules, where relevant, as may be prescribed by the FCM Procedures, or, or if no such day is so prescribed, on the next Business Day.

(b) Subject to Exchange Rules or, where relevant, the FCM Procedures, an Option may be exercised by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so exercised by the day and time referred to in paragraph (a) above, the Option shall either expire or, if Exchange Rules or, where relevant, the FCM Procedures, so provide, be deemed to have been exercised in accordance with Exchange Rules or, where relevant, the FCM Procedures. The Clearing House shall not be liable to any FCM Client if the relevant FCM Clearing Member fails to provide proper notice to the Clearing House and an Option expires or is deemed to be exercised in contradiction to such FCM Client's instructions to the FCM Clearing Member:

(c) Subject to Exchange Rules or, where relevant, the FCM Procedures, an Option may be abandoned by notice in writing or in such other form as may be prescribed by Exchange Rules or the FCM Procedures and in the manner prescribed by the FCM Procedures, and, if not so abandoned by the day and time referred to in paragraph (a) above, the Option shall be deemed to have been exercised in accordance with the Exchange Rules or, where relevant, the FCM Procedures.

(d) If permitted under Exchange Rules or, where relevant, the FCM Procedures, an Option may be exercised or abandoned by or on behalf of an FCM Clearing Member prior to the day and time referred to in paragraph (a) above in accordance with Exchange Rules or, where relevant, the FCM Procedures.

(e) The Clearing House shall be entitled to rely and act upon any form of exercise or abandonment made in accordance with paragraphs (b), (c) or (d) above, or in accordance with the FCM Procedures, as applicable, without making any inquiry, investigation or check as to whether it complies with the Exchange Rules or, where relevant, the FCM Procedures or as to the authority of any person purporting to exercise or abandon an Option on behalf of an FCM Clearing Member; **provided**, that the Clearing House may, in its sole discretion, reject any notice of exercise or abandonment (or exercise or abandonment made in such other prescribed form, as the case may be) if, in the sole discretion of the Clearing House, it does not appear to comply with Exchange Rules or the FCM Procedures notwithstanding that the

Clearing House may, as Buyer, have passed on such notice or other prescribed form of exercise or abandonment to a Seller.

(f) Subject to paragraph (e) above, no notice (or other form) of exercise or abandonment once received (and not rejected) by the Clearing House may be cancelled or withdrawn.

(g) Where the Clearing House is a Buyer under the terms of an FCM Option Contract, the Clearing House may exercise or abandon such FCM Option Contract in accordance with Exchange Rules or the FCM Procedures, as applicable, and in accordance with FCM Regulation 3.

(h) Upon the exercise or deemed exercise of an Option pursuant to this FCM Regulation 17, FCM Regulation 3(b)(ii) and FCM Regulation 18 shall come into effect.

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

(a) Subject to these FCM Regulations, Physically-Settled FCM Contracts shall be fulfilled in accordance with Exchange Rules or, where relevant, the FCM Procedures. No Physically-Settled FCM Contract shall be for a unit or quantity smaller than one Lot and the amount or quantity to be delivered shall be one Lot or multiples thereof (or such other amount or quantity as may be specified in: (A) the relevant Exchange Rules from time to time; or (B) the relevant provisions of the FCM Product Specific Contract Terms and Eligibility Criteria Manual).

(b) Where a Physically-Settled FCM Contract, is registered pursuant to FCM Regulation 17(h) upon the exercise or deemed exercise of an Option, the Buyer under the terms of the Physically-Settled FCM Contract shall give to the Clearing House such information as may be prescribed by Exchange Rules or, where relevant, the FCM Procedures by the time and in the manner specified in Exchange Rules or the FCM Procedures. The Clearing House as Buyer under the terms of a Physically-Settled FCM Contract shall, in accordance with FCM Regulation 3, give to the Seller under the terms of such Physically-Settled FCM Contract, such information as may be prescribed by Exchange Rules or the FCM Procedures.

(c) The Seller under the terms of a Physically-Settled FCM Contract shall deliver the commodity to the Clearing House as Buyer in such manner and at such time as may be prescribed in Exchange Rules or, where relevant, the FCM Procedures, and the Clearing House as Seller under the terms of a Physically-Settled FCM Contract shall, in accordance with FCM Regulation 3, deliver the commodity the subject of such Physically-Settled FCM Contract to an FCM Clearing Member (or Non-FCM Clearing Member, as the case may be) who is a Buyer under the terms of such Physically-Settled FCM Contract.

(d) The Buyer shall pay the price and such other amounts to the Clearing House as may be required by Exchange Rules or, where relevant, the FCM Procedures in the form and manner and by the time prescribed in Exchange Rules or the FCM Procedures, and the Clearing House shall, in accordance with FCM Regulation 3, pay the Seller its price and such other amounts as may be required by Exchange Rules or, where relevant, the FCM Procedures.

(e) Notwithstanding paragraphs (c) and (d) above, the Clearing House may, in its absolute discretion and in accordance with the FCM Procedures:

(i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM Contract to deliver the commodity underlying such Physically-Settled FCM Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a Physically-Settled FCM Contract, as the Clearing House may appoint; and

(ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM Contract to pay the price and any other amounts payable pursuant to such Physically-Settled FCM Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a Physically-Settled FCM Contract, as the Clearing House may appoint;

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

(f) If an invoice is not ready when payment becomes due pursuant to this FCM Regulation 18, payment shall be made and received on account.

(g) For the avoidance of doubt, the Clearing House shall have no obligation to, and shall not, deal with or accept instructions from an FCM Client (or any person other than the relevant FCM Clearing Member) with respect to an FCM Option Contract or a Physically-Settled FCM Contract. The Clearing House shall only accept notices, instructions, written confirmations and other related documents required under this FCM Regulation 18 from an FCM Clearing Member who is a Buyer or Seller, as the case may be, of a Physically-Settled FCM Contract.

## REGULATION 19 MARGINING OF FCM EXCHANGE CONTRACTS AND FCM LISTED INTEREST RATES CONTRACTS

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

## REGULATION 20 OBLIGATION TO MAKE AND ACCEPT DELIVERY NOTICE

(a) Subject to these FCM Regulations, Open FCM Contracts that are FCM Exchange Contracts or FCM Listed Interest Rates Contracts shall be fulfilled in accordance with Exchange Rules or the FCM Procedures, as applicable. No FCM Exchange Contract or FCM Listed Interest Rates Contract shall be for a unit or quantity smaller one Lot and the amount or quantity delivered shall be for one Lot or multiples thereof (or such other amount or quantity as may be specified in the relevant Exchange Rules from time to time or the relevant provisions of the FCM Product Specific Contract Terms and Eligibility Criteria Manual, respectively). Where the terms of an FCM Exchange Contract or FCM Listed Interest Rates Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.

(b) Paragraphs (c) to (l) of this FCM Regulation 20 shall apply only to Physically-Settled FCM Contracts for which a Delivery Notice is required:

(c) An FCM Clearing Member, as Seller in respect of a Physically-Settled FCM Contract for which a Delivery Notice is required, shall give a Delivery Notice to the Clearing House as Buyer, together with such other documents as may be required by Exchange Rules or the FCM Procedures by the time specified in Exchange Rules or the FCM Procedures in respect of such Physically-Settled FCM Contract for a particular Delivery Month or Prompt Date, and in the form and manner prescribed by Exchange Rules or the FCM Procedures. The Clearing House, as Seller in respect of the Physically-Settled FCM Contract for which a Delivery Notice has been submitted pursuant to this paragraph (c), shall in accordance with FCM Regulation 3 give a Delivery Notice to the Buyer under the terms of such Physically-Settled FCM Contract, together with such other documents as may be required by Exchange Rules or the FCM Procedures.

(d) A Seller or Buyer shall give to the Clearing House such additional documents or information required by Exchange Rules or, where relevant, the FCM Procedures to be given in respect of an FCM Contract Subject to Delivery Notice by the time prescribed by Exchange Rules or the FCM Procedures and in the form and manner specified therein. The Clearing House as Seller (or Buyer) under the terms of an FCM Contract Subject to Delivery Notice shall in accordance with FCM Regulation 3 give such additional documents or information to the Buyer (or Seller) under the terms of such FCM Contract Subject to Delivery Notice.

(e) The Clearing House shall be under no obligation to review a Delivery Notice or any other related documents received from an FCM Clearing Member pursuant to paragraph (c) or (d) above. The passing on by the Clearing House of such Delivery Notice or such documents received from a Seller (or Buyer as the case may be) pursuant to the terms of an FCM Contract Subject to Delivery Notice, to a Buyer (or Seller as the case may be) pursuant to the terms of such FCM Contract Subject to Delivery Notice, shall not constitute acceptance by the Clearing House of such Delivery Notice or such documents, and if the FCM Clearing Member to whom it passed on such Delivery Notice or such documents rejects the same where permitted by Exchange Rules or, where relevant, the FCM Procedures, the Clearing House shall

be entitled to reject the same as against the FCM Clearing Member from whom it received such Delivery Notice or such documents.

(f) Every Buyer (other than the Clearing House) that has a Physically-Settled FCM Contract in its name for the current delivery period or Prompt Date shall be bound to accept in fulfilment of the Clearing House's obligations as Seller under paragraph (d) any Delivery Notice or other documents complying with Exchange Rules or, where relevant, the FCM Procedures which is given to it by the Clearing House in accordance with FCM Regulation 3.

(g) Subject to paragraph (e), no Delivery Notice may be withdrawn or substituted by the Seller once such Delivery Notice is received by the Buyer except with the consent of such Buyer or otherwise in accordance with Exchange Rules or, where relevant, the FCM Procedures.

(h) Where permitted by Exchange Rules or, where relevant, the FCM Procedures, a Delivery Notice together with such other documents as may be required by Exchange Rules or the FCM Procedures may be given to the Clearing House by or on behalf of a Seller in respect of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction to which the Seller is party, such Delivery Notice to be given to the Clearing House together with such particulars of the FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction as may be required by the Clearing House, including if required, the name of the Buyer in respect of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction, by the time specified in Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction as an FCM Contract in the name of the Seller shall be effected as prescribed by the FCM Procedures.

(i) The Clearing House may give a Delivery Notice, together with such other documents as may be required by Exchanges Rules or the FCM Procedures, to a Buyer in respect of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction to which the Buyer is party. Such particulars of the FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction as the Clearing House may require, shall be furnished by or on behalf of the Buyer to the Clearing House in accordance with Exchange Rules or the FCM Procedures. Registration of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction in the name of the Buyer shall be effected as prescribed by the FCM Procedures.

(j) The Clearing House may give a Delivery Notice and documents received from a Seller pursuant to paragraph (h) above to a Buyer in respect of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction to which the Buyer is party, and shall do so as agent for the Seller. The furnishing of particulars and the registration of such FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction in the name of a Buyer shall be effected as provided in paragraph (i) above. Upon registration of an FCM Exchange Transaction or FCM Listed Interest Rates Novation Transaction pursuant to paragraph (h), the giving of the Delivery Notice and documents by the Clearing House to the Buyer pursuant to this paragraph shall be deemed to have been given and accepted by such parties in fulfilment of their obligations under paragraphs (c) and (f) above.

(k) In implementing this FCM Regulation 20, the Clearing House may effect and register such FCM Contracts in an FCM Clearing Member's name as may be prescribed in the FCM Procedures at a price determined by the Clearing House in accordance with the FCM Procedures.

(l) If the relevant Exchange Rules or, where relevant, the FCM Procedures require a Buyer to give a Delivery Notice and a Seller to receive a Delivery Notice in respect of a Physically-Settled FCM Contract, any reference in this FCM Regulation 20 and in FCM Regulation 22 to a Seller giving a Delivery Notice shall be construed as being a reference to a Buyer giving a Delivery Notice and a reference to a Buyer receiving a Delivery Notice shall be construed as being a reference to a Seller receiving a Delivery Notice.

## REGULATION 21 PHYSICALLY-SETTLED FCM CONTRACTS NOT REQUIRING A DELIVERY NOTICE

(a) This FCM Regulation 21 shall only apply with respect to Physically-Settled FCM Contracts for which a Delivery Notice is not required.

(b) The obligations of an FCM Clearing Member under a Physically-Settled FCM Contract shall be performed in accordance with the terms of such Physically-Settled FCM Contract and in the manner and by the time prescribed by Exchange Rules, these FCM Regulations and the FCM Procedures, as applicable. The Clearing House shall fulfill its obligations as Seller or Buyer, as the case may be, under the terms of any Physically-Settled FCM Contract in accordance with FCM Regulation 3 and the FCM Procedures.

(c) Where the terms of a Physically-Settled FCM Contract so permit, the Clearing House may give directions to one or more FCM Clearing Members concerning the performance of such FCM Contract and in such case each such FCM Clearing Member shall be bound by and shall comply with any such direction.

## REGULATION 22 FCM CONTRACTS SUBJECT TO DELIVERY NOTICE

(a) Without prejudice to the provisions of FCM Regulation 23, under an FCM Contract Subject to Delivery Notice or a Physically-Settled FCM Contract:

(i) the Buyer shall be obliged to pay his buying price to the Clearing House as Seller in the manner and by the time prescribed by Exchange Rules or the FCM Procedures;

(ii) the Clearing House as Buyer shall be obliged to pay the Seller his selling price in the manner and by the time prescribed by FCM Regulation 3; and

(iii) subject to Exchange Rules or, where relevant, the FCM Procedures any compensation, adjusting payment, or other allowance payable by or to either the Buyer or Seller under the terms of the FCM Contract shall be paid to or by the Clearing House.

(b) Every Delivery Notice and accompanying documents (except documents which, in accordance with Exchange Rules or, where relevant, the FCM Procedures a Buyer is obliged to take up and pay for) given by the Clearing House as Seller to a Buyer pursuant to FCM Regulation 20(c) shall for the purposes of these FCM Regulations be deemed to comply with Exchange Rules or, where relevant, the FCM Procedures unless the Buyer notifies the Clearing House, by 10:00 hours (London time) on the Business Day following the day on which the Delivery Notice and accompanying documents were given to him by the Clearing House in accordance with Exchange Rules or the FCM Procedures, that the Delivery Notice and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10:00 hours (London time) on such Business Day, to notify the Seller to it under the terms of an FCM Contract from whom it received such Delivery Notice and accompanying documents that such Delivery Notice and accompanying documents do not so comply.

(c) Notwithstanding that FCM Contracts may have been settled otherwise under the FCM Rulebook and not pursuant to a Delivery Notice, a Seller may, with the consent of the Clearing House and by the time specified in the FCM Procedures, give the Clearing House a Delivery Notice in respect of any such FCM Contract so settled. Upon receipt of such Delivery Notice, the Clearing House shall (unless the FCM Procedures otherwise permit) effect on the FCM Clearing Member's behalf re-opening contracts (that is, a sale by the FCM Clearing Member to the Clearing House and a purchase by the FCM Clearing Member from the Clearing House of one Lot, each on the same terms (including delivery) as the settled FCM Contract except as to price) and register such re-opening contracts as FCM Contracts in the FCM Clearing Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the FCM Procedures. The submission of a Delivery Notice in accordance with the FCM Procedures shall constitute confirmation of any such re-opening contracts and the Seller's Delivery Notice (or Buyer's as the case may be) shall be deemed to have been made pursuant to its sale (or purchase) under the respective re-opening contract.

(d) Notwithstanding that an FCM Contract may have been settled otherwise under the FCM Rulebook and not pursuant to a Delivery Notice, the Clearing House may in

accordance with the FCM Procedures give a Delivery Notice to a Buyer under FCM Regulation 20 as if the FCM Contract were still open and on so doing the Clearing House shall effect on the FCM Clearing Member's behalf re-opening contracts (defined as in paragraph (c) above and to be effected as there described) and register such re-opening contracts as FCM Contracts in the FCM Clearing Member's name. The receipt by the Buyer of such Delivery Notice shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the FCM Clearing Member's purchase under the respective re-opening contract.

(e) In implementing this FCM Regulation 22, the Clearing House may effect and register such FCM Contracts in an FCM Clearing Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the FCM Procedures and at a price determined by the Clearing House in accordance with the FCM Procedures.

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

(a) In respect of its obligations under the terms of any Physically-Settled FCM Contract as Seller to deliver a commodity to the Buyer or as Buyer to pay the Price and any other payments required to be made under the terms of such Physically-Settled FCM Contract to the Seller, the Clearing House may in its absolute discretion in accordance with the FCM Procedures:

(i) direct an FCM Clearing Member who is a Seller under a Physically-Settled FCM Contract to deliver the commodity the subject matter of such Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Buyer under a corresponding Physically-Settled FCM Contract (or delivery contract, if applicable) as the Clearing House may appoint; and

(ii) direct an FCM Clearing Member who is a Buyer under a Physically-Settled FCM Contract to pay the Price and any other amounts payable pursuant to such Physically-Settled FCM Contract to such other FCM Clearing Member (or Non-FCM Clearing Member, if applicable), being a Seller under a corresponding Physically-Settled FCM Contract (or delivery contract, if applicable) as the Clearing House may appoint;

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

(b) If an invoice is not ready when payment becomes due, payment shall be made and received on account.

(c) An FCM Clearing Member may, from time to time, agree in writing with the Clearing House in respect of such FCM Contracts (as are prescribed in the FCM Procedures) that the FCM Clearing Member shall pay to or receive from the Clearing House in accordance with the FCM Procedures a net amount in respect of the FCM Clearing Member's obligations to make or take delivery (as the case may be) of a commodity where such commodity is a currency and to make or receive payment (as the case may be) of the buying or selling Price.

(d) If a Buyer where permitted by Exchange Rules or, where relevant, the FCM Procedures, rejects the commodity delivered to it pursuant to the Clearing House's obligations to make delivery of the commodity under the terms of an FCM Contract Subject to Delivery Notice, the Clearing House shall be entitled to reject the same as against the Seller from whom it took delivery of the same under the terms of an FCM Contract Subject to Delivery Notice, and the Clearing House shall not be deemed to have accepted a commodity delivered to it by a Seller which it delivers on to a Buyer until such Buyer has accepted the commodity.

## REGULATION 24 RESTRICTIONS ON CLEARING HOUSE'S OBLIGATIONS AND LIABILITY

(a) This FCM Regulation 24 shall apply to Physically-Settled FCM Contracts (including FCM Contracts Subject to Delivery Notice) and shall not apply to any Cash-Settled FCM Contracts or FCM Option Contracts.

(b) The Clearing House (or any other member of the LCH Group) shall not be liable in respect of a claim made against it in respect of a Physically-Settled FCM Contract by an FCM Clearing Member concerning:

(i) a Delivery Notice given by the Clearing House; or

(ii) any documents accompanying a Delivery Notice as required by Exchange Rules or the FCM Procedures; or

(iii) the performance by the Clearing House of its obligations under an FCM Contract to make delivery of a commodity or to pay the Price; or

(iv) any other dispute or matter arising under the terms of such FCM Exchange Contract;

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

(c) The FCM Clearing Member shall (without prejudice to his taking any other steps which may be required of or open to him under the relevant Exchange Rules or the FCM Procedures, as applicable) give written notice and particulars of his claim to the Clearing House not later than 17:00 hours (London time) (such time to be of the essence) on the seventh Business Day following the day on which, in accordance with the relevant Exchange Rules or the FCM Procedures, as applicable, documents must be taken up and paid for by the Buyer (whether or not a Buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (London time)(such time to be of the essence) on the seventh Business Day following the last day on which the Buyer, in accordance with the relevant Exchange Rules or the FCM Procedures, as applicable, must take delivery of the commodity (whether or not the Buyer fulfils such obligation).

(d) Where the relevant Exchange Rules or the FCM Procedures, as applicable, provide for arbitration, the FCM Clearing Member shall refer all disputes referred to in paragraph (b) above in respect of the FCM Contract to arbitration under the relevant Exchange Rules or the FCM Procedures, as applicable, and shall give to the Clearing House notice of such referral and details of any award made.

(e) The FCM Clearing Member shall promptly provide the Clearing House with such further particulars of its claim, as the Clearing House may from time to time require in writing.

## REGULATION 25 ARBITRATION

(a) In this FCM Regulation 25, "***Relevant Rules***" means: (A) in respect of FCM Exchange Contracts, the relevant Exchange Rules; and (B) in respect of FCM Listed Interest Rates Contracts, the LCIA Rules.

(b) A dispute arising from or in relation to any FCM Exchange Contract or FCM Listed Interest Rates Contract or in relation to these FCM Regulations relating to the clearing of FCM Exchange Contracts or FCM Listed Interest Rates Contracts shall, unless resolved between the Clearing House and the FCM Clearing Member, be referred to arbitration under the Relevant Rules and arbitration shall be conducted in accordance with such Relevant Rules. The Clearing House shall be entitled to call upon an FCM Clearing Member who is a Buyer and an FCM Clearing Member who is a Seller, under the terms of such FCM Exchange Contracts or FCM Listed Interest Rates Contracts which have been matched by the Clearing House and in respect of which reference to arbitration has been made under the same Relevant Rules, to conduct the arbitration between them under such Relevant Rules as applicable.

(c) In the event that the Clearing House elects to arbitrate between a Seller and a Buyer pursuant to FCM Regulation 25(b) above and the Relevant Rules, the following procedures shall apply:

(i) the Clearing House shall give notice of such election to the Buyer, the Seller and, where applicable, the relevant Exchange, in accordance with such Relevant Rules;

(ii) the Seller shall, at its own expense have the conduct of the Clearing House's case against the Buyer, and the Buyer shall, at its own expense have the conduct of the Clearing House's claim against the Seller, in either case, subject to the provisions of this FCM Regulation 25;

(iii) copies of all pleadings, correspondence and documents shall be given to the Clearing House and the Clearing House shall be entitled to submit any additional arguments to the arbitrators in support of its own case, in which case it shall supply copies of such submissions to the Seller and the Buyer;

(iv) the arbitrators shall have the power to call upon the Clearing House to disclose documents relating to the arbitration which are in its custody, power or possession to the same extent as if it were a direct party to the arbitration; and

(v) the arbitrators shall issue two awards, one between the Seller and the Clearing House and one between the Buyer and the Clearing House which shall determine the rights of each of the Seller and the Buyer against the Clearing House and vice versa.

(d) If the Clearing House is found liable to one of the parties to the arbitration ("the first party") in respect of a breach of an FCM Exchange Contract or an FCM Listed Interest Rates Contract and the other party to the arbitration ("the second party") is found liable to the Clearing House in respect of such breach , the liability of the Clearing House to the first party shall be deemed to be a foreseeable consequence of

the breach by the second party and the Clearing House shall be entitled to be indemnified in respect of such liability by the second party.

(e) The Clearing House shall be bound by an arbitration award made against it in pursuance of an, arbitration whether it participates directly in the arbitration or not.

(f) No person may refer to arbitration any dispute arising from or in connection with the Default Rules or any step taken or proposed to be taken under the Default Rules.

## REGULATION 26 COLLATERAL IN EVENT OF CLAIM

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

## REGULATION 27 DEFAULT OF A MEMBER: SUBSTITUTED OBLIGATION

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

## REGULATION 28 PREMIUM UNDER OPTION CONTRACTS

(a) The Premium payable by a Buyer under the terms of an FCM Option Contract shall be paid by the Buyer to the Clearing House in the form and manner prescribed in the FCM Procedures and by the time specified in the relevant Exchange Rules or the FCM Procedures, as applicable.

(b) The Clearing House shall pay to a Seller under the terms of an FCM Option Contract the Premium in accordance with the FCM Procedures and by the time specified in the relevant Exchange Rules or the FCM Procedures, as applicable.

## CHAPTER VII - DEFAULT, DISORDER, IMPOSSIBILITY AND FORCE MAJEURE

### REGULATION 29 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY

(a) Paragraph (c) of this FCM Regulation 29 shall not apply to FCM Option Contracts.

(b) In relation to FCM Exchange Contracts, if an Exchange Board, after consultation with the Clearing House, or the Clearing House, if it deems it impracticable to consult with the Exchange Board with respect to sub-paragraph (i) below only, or if the Clearing House, in relation to FCM Contracts which are not FCM Exchange Contracts, determines that one of the following conditions is satisfied, namely:

(i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under an FCM Contract; or

(ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or

(iii) the EU or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under an FCM Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

(iv) in respect of such FCM Contracts which are not FCM Exchange Contracts as specified by the Clearing House, and notified to the affected FCM Clearing Members, the Clearing House shall be entitled to invoice back such FCM Contracts in accordance with FCM Regulation 31 and the FCM Procedures at a price determined by the Clearing House or to require such FCM Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such FCM Contracts; and

(v) such FCM Exchange Contracts for such Delivery Months, Prompt Dates or other delivery periods as the Exchange Board in consultation with the Clearing House or (where the Clearing House so determines without consultation with the Exchange Board) as the Clearing House shall specify (which may include FCM Exchange Contracts under which Delivery Notice or a notice or some other prescribed form of exercise has been given) shall, (unless the relevant Exchange Rules otherwise provide) upon the Exchange Board's (or the Clearing House's, as the case may be) formal announcement that such condition is satisfied, be invoiced back in accordance with FCM Regulation 31 and the FCM Procedures at a price determined by the Exchange Board (or the Clearing House as the case may be). In the event that a price fails to be

determined by the Clearing House it shall, adopt the settlement price which in the opinion of the Clearing House was last determined or announced by the Exchange Board pursuant to Exchange Rules.

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

(c) If, in the opinion of the Clearing House (and, in respect of FCM Exchange Contracts, after consultation with the relevant Exchange Board), complete performance of an FCM Contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (b) above), the affected FCM Contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Clearing House (and, in respect of FCM Exchange Contracts, after consultation with the relevant Exchange Board), and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the FCM Procedures.

(d) If an Exchange determines in accordance with its Exchange Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a commodity, the Clearing House may take such action as is requested of it by such Exchange in respect of one or more FCM Exchange Contracts for such commodity in an FCM Clearing Member's name as may be provided by Exchange Rules, or as may be agreed between the Exchange and the Clearing House.

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

## REGULATION 30 FORCE MAJEURE

(a) Neither the Clearing House (nor any other member of the LCH Group) nor an FCM Clearing Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these FCM Regulations or of any FCM Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred in FCM Regulation 29(b)(i), Regulation 29(b)(ii) or Regulation 29(b)(iii) above, terrorist or other criminal action, sabotage, civil unrest, embargoes, blockades, fire, flood, earthquake, tornado, tsunami, other natural disasters, explosion, epidemics or plagues, labor dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, failures of software or communications systems, and any other causes beyond the parties reasonable control including, without prejudice to the foregoing, any causes specified in Exchange Rules or the rules of an FCM Approved Trade Source System.

(b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other:

(i) in respect of affected FCM Exchange Contracts or FCM Contracts subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled at the time prescribed in the relevant Exchange Rules or the rules of a relevant FCM Approved Trade Source System or if no such time is prescribed at any time after receipt of such notice, to invoice back in accordance with FCM Regulation 31, some or all such FCM Exchange Contracts or such FCM Contracts in the FCM Clearing Member's name at a price determined by the relevant Exchange or FCM Approved Trade Source System, or where Exchange Rules or the rules of an FCM Approved Trade Source System permit, to take such other action as it deems necessary or desirable in respect of some or all such FCM Exchange Contracts or FCM Contracts in the FCM Clearing Member's name or require the FCM Clearing Member to take such action as the Clearing House may direct in respect of the same; and

(ii) in respect of affected FCM Contracts that are not FCM Exchange Contracts or subject to the rules of an FCM Approved Trade Source System, the Clearing House shall be entitled to require any of the affected FCM Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with FCM Regulation 31, or shall be entitled to require the FCM Clearing Member to take such action as the Clearing House may direct in respect of such FCM Contracts.

## CHAPTER VIII - INVOICING BACK AND CURRENCY CONVERSION

### REGULATION 31 INVOICING BACK

(a) Invoicing back of an FCM Clearing Member's FCM Contracts, pursuant to FCM Regulation 29, FCM Regulation 30, the Default Rules (in the case of FCM Exchange Contracts or FCM Listed Interest Rates Contracts) or otherwise, shall be carried out by the Clearing House effecting and registering pursuant to the FCM Procedures opposite contracts between itself and the FCM Clearing Member at the price referred to in the relevant FCM Regulation or, where applicable, in paragraph (d) below, and thereupon settling such FCM Contracts against such opposite contracts.

(b) The Clearing House shall, in addition to carrying out the procedures referred to in paragraph (a) above, register opposite contracts between itself and such other FCM Clearing Members as the Clearing House may select in its absolute discretion in proportion to the net position of FCM Contracts in their names for the same commodity and Delivery Month or Prompt Date as the FCM Contracts invoiced back under paragraph (a) above to the nearest whole number of Lots, or in the case of FCM Option Contracts on the terms of the relevant underlying contracts specified in the FCM Procedures (if applicable), for the same Expiry Month and Strike Price as the FCM Contracts invoiced back under paragraph (a) above, or in the case of FCM Contracts that are not FCM Exchange Contracts on the same FCM Contract Terms as the FCM Contracts invoiced back under paragraph (a) above, and thereupon settling such FCM Contracts against such opposite contracts.

(c) Where Open FCM Contracts are invoiced back pursuant to FCM Regulation 29 or FCM Regulation 30 the Clearing House shall credit or debit (as the case may be) the FCM Clearing Member's accounts affected by such invoicing back in accordance with FCM Regulation 29 or FCM Regulation 30, as applicable. Where an FCM Contract is invoiced back under the Default Rules, the account of such other FCM Clearing Member as may be affected under paragraph (b) above shall be made up in accordance with that paragraph.

(d) Opposite FCM Contracts effected and registered by the Clearing House pursuant to paragraphs (a) and (b) above shall, subject to FCM Regulation 29, be at a price determined by the Clearing House, and shall be binding as a final settlement upon the parties affected by invoicing back or, in the case of FCM Exchange Contracts, at a price or (where applicable) Premium fixed or determined by the relevant Exchange Board. This paragraph shall be without prejudice to any further liability of the defaulting FCM Clearing Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting FCM Clearing Member whether under these FCM Regulations, at law or otherwise.

(e) In this FCM Regulation 31:

(i) "**net position**" means: (A) in respect of FCM Contracts in a Product for which there are Economic Terms (as set forth in the definition of "Economic Terms" in these FCM Regulations), one or more of such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts on the same Economic Terms and (B) in respect of FCM Contracts in all other Products not specified in (A) above, one

or more such FCM Contracts against which the FCM Clearing Member in whose name they are registered has no matching FCM Contracts for the same Delivery Month, Expiry Month or Prompt Date; and

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

## REGULATION 32 CURRENCY CONVERSION

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

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

### REGULATION 33 DISCLOSURE AND REPORTING

(a) The Clearing House shall have authority to, on an ongoing basis in the ordinary course of business, supply any information whatsoever concerning an FCM Clearing Member and its trading to:

(i) an Exchange or an exchange with whom the Clearing House has entered into an agreement pursuant to which the parties have agreed to exchange information as required or contemplated by Exchange Rules,

(ii) any Regulatory Body which is entitled to receive or request any such details or information,

(iii) a member of the LCH Group,

(iv) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same,

(v) any other person or body to which the Clearing House has agreed to provide such information (including any clearing house, exchange or execution facility or FCM Approved Trade Source System with which the Clearing House has an agreement, and including pursuant to Section 8 *(Disciplinary Procedures)* of the FCM Procedures),

(vi) a trade or data repository (including a swap data repository) on an ongoing basis in the ordinary course of business, or

(vii) any securities depository or securities settlement system.

(b) The Clearing House shall also be entitled to supply any information whatsoever concerning an FCM Clearing Member to any person (and the Clearing House will solicit an undertaking from any such person that such person will keep such information confidential) who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.

(c) Where an FCM Clearing Member is a Defaulter, the Clearing House may supply any information relating to FCM Contracts and Collateral (other than where such information is associated with such Defaulter's Proprietary Account) to a non-defaulting FCM Clearing Member in connection with the transfer or potential transfer of the Defaulter's FCM Contracts or Collateral to that non-defaulting FCM Clearing Member. Where an FCM Clearing Member receives information pursuant to this paragraph (c), and other than in the event of regulatory or judicial intervention or where the information is otherwise made public (other than in violation of this paragraph (c)), it shall ensure that it preserves the confidentiality of such information and shall apply equivalent security measures to the information as those which it applies to its own confidential information. In the event that the FCM Clearing

Member that receives the information does not act as a transferee FCM Clearing Member, it shall promptly delete the information it has received in connection with the proposed transfer and immediately confirm such deletion to the Clearing House.

## REGULATION 34 FEES AND OTHER CHARGES

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

(b) Accommodation charges made by the Clearing House pursuant to FCM Regulation 14(f) shall be payable to the Clearing House by such FCM Clearing Members, in such manner and by such times as may be prescribed by the FCM Procedures.

(c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the FCM Procedures.

## REGULATION 35 RECORDS

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

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

(a) Unless the FCM Clearing Membership Agreement or these FCM Regulations otherwise specifically provide in relation to any proposed amendment, alteration or extension, the Rules Change Committee (acting in accordance with its terms of reference) may from time to time, by notice delivered by the Clearing House to Exchanges and FCM Clearing Members, amend, alter or extend these FCM Regulations.

(b) Any such amendments, alterations or extensions may be made with immediate effect or with such deferred effect as the Rules Change Committee shall determine. Any amendments, alterations or extensions to these FCM Regulations may take effect so as to apply to FCM Contracts registered in an FCM Clearing Member's name at the time such amendments, alterations or extensions come into effect if the Rules Change Committee so determines.

(c) Unless the FCM Clearing Membership Agreement or these FCM Regulations or the FCM Procedures specifically provide otherwise in relation to any proposed amendments, alterations or extensions, the Rules Change Committee may from time to time amend, alter or extend the FCM Procedures by notice delivered to such Exchanges and FCM Clearing Members as may be affected.

(d) The accidental omission to give notice under this FCM Regulation 36 to, or the non-receipt of notice under this FCM Regulation 36 by, any Exchange or FCM Clearing Member shall not invalidate the amendment, alteration or extension with which the notice is concerned.

## CHAPTER X - NETTING AND DISTRIBUTION

### REGULATION 37 NETTING

(a) If at any time the Clearing House fails to make a payment to an FCM Clearing Member, other than a Defaulter, under an FCM Contract for a period of 30 days from the date when the obligation to pay fell due, then that FCM Clearing Member may exercise its rights under paragraph (c) below.

(b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorize any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then an FCM Clearing Member, other than a Defaulter, may exercise the right given to it under paragraph (c) below.

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

(d) Upon the occurrence of a Termination Date:

(i) neither the Clearing House nor the FCM Clearing Member shall be obliged to make any further payments under any FCM Contract between them which would, but for this FCM Regulation 37, have fallen due for performance on or after the Termination Date, and any obligations to make further payments which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;

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

(iii) the FCM Clearing Member shall (on, or as soon as reasonably practicable after, the Termination Date) determine the amount of its Collateral held by the Clearing House, which amount shall be treated as a loss for purposes of this FCM Regulation 37(d), and the amount of any Collateral required to be

delivered by the FCM Clearing Member to the Clearing House and not yet so delivered, which amount shall be treated as a gain for purposes of this FCM Regulation 37(d); and

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

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

(A) the FCM Clearing Member shall determine a number of net amounts under paragraph (d)(iv) as applicable: (1) separate net amounts in respect of gains and losses arising on FCM Contracts registered to each FCM Client Sub-Account carried by such FCM Clearing Member (*i.e.*, on an FCM Client by FCM Client basis with respect to Swaps Products); (2) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's FCM Omnibus Futures Client Accounts with LCH on a combined basis; (3) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's FCM Omnibus Foreign Futures Client Accounts with LCH on a combined basis; and (4) one net amount in respect of gains and losses arising on FCM Contracts registered in the FCM Clearing Member's Proprietary Accounts on a combined basis; and

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

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

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

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

(ix) Any amount determined in FCM Regulation 37(d)(iii) shall be expressed in the Base Currency Equivalent. For the purposes of this FCM Regulation 37, the "**Base Currency Equivalent**" means, in respect of any amount denominated in the Base Currency, such Base Currency amount and, in respect of any amount denominated in a currency other than the Base Currency (the "**Other Currency**"), the amount in the Base Currency determined by the FCM Clearing Member as being required to purchase such amount of such Other Currency as at the relevant Termination Date, with the Base Currency.

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

(e) If an FCM Clearing Member is a Defaulter and either:

(i) no default management process has been commenced by the Clearing House in respect of such FCM Clearing Member within 3 business days following a Default Notice being issued in respect of that FCM Clearing Member; or

(ii) such default management process has been commenced within such period but that FCM Clearing Member determines (acting reasonably) that the relevant default management process is unlikely to be completed,

then, provided that an event or circumstance as described in paragraph (a) or (b) above has also occurred, the relevant Member shall be entitled to exercise the rights provided under paragraph (c) above notwithstanding that it is a Defaulter.

(f) Interpretation in Relation to FDICIA. The Clearing House and each FCM Clearing Member intend that certain provisions of the FCM Rulebook (including this FCM Regulation 37) be interpreted in relation to certain terms that are defined in FDICIA, as follows:

(i) The Clearing House is a "clearing organization" and a "financial institution".

(ii) An obligation of an FCM Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to an FCM Clearing Member, subject to a netting contract, is a "covered clearing obligation" and a "covered contractual payment obligation".

(iii) An entitlement of an FCM Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from an FCM Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement".

(iv) The Clearing House is a "member", and each FCM Clearing Member is a "member".

(v) The amount by which the covered contractual payment entitlements of an FCM Clearing Member or the Clearing House exceed the covered contractual payment obligations of such Clearing Member or the Clearing House after netting under a netting contract is its "net entitlement".

(vi) The amount by which the covered contractual payment obligations of an FCM Clearing Member or the Clearing House exceed the covered contractual payment entitlements of such Clearing Member or the Clearing House after netting under a netting contract is its "net obligation".

(vii) The FCM Regulations and the FCM Procedures, including this Regulation 37, constitute a "netting contract".

(viii) The provisions of these FCM Regulations and the FCM Procedures providing for the use and liquidation of Collateral, including this FCM Regulation 37, each constitute a "security agreement or arrangement or other credit enhancement related to one or more netting contracts between any 2 members of a clearing organization".

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

## REGULATION 38 DISTRIBUTION OF ASSETS

(a) Where (after the netting and set-off provided for in FCM Regulation 37 and FCM Regulation 9(i)) the Clearing House has insufficient assets available to it to pay all Termination Amounts (determined in accordance with FCM Regulation 37 and General Regulation 45 (under the UK General Regulations)) in full, the claims of the Clearing Members shall be met first to those Clearing Members who are FCM Clearing Members and SwapClear Clearing Members and/or ForexClear Clearing Members in an amount equal to the outstanding SwapClear Contributions and Listed Interest Rates Contributions, where applicable, of such FCM Clearing Members and SwapClear Clearing Members and/or the outstanding ForexClear Contributions of such FCM Clearing Members and ForexClear Clearing Members (as applicable) and, thereafter, *pro rata* to each Clearing Member's respective claim (and in respect of FCM Clearing Members and SwapClear Clearing Members who have received an amount relating to their outstanding SwapClear Contributions and Listed Interest Rates Contributions, where applicable, their respective claims shall be reduced by such amounts so received; and in respect of FCM Clearing Members and ForexClear Clearing Members who have received an amount relating to their outstanding ForexClear Contributions, their respective claims shall be reduced by such amounts so received). To the extent the Clearing House does not have sufficient assets available to it to pay each FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member the amount equal to its outstanding SwapClear Contribution and Listed Interest Rates Contributions, where applicable, and/or its outstanding ForexClear Contribution (as applicable), the Clearing House shall distribute the assets available to it to each such FCM Clearing Member and SwapClear Clearing Member and/or ForexClear Clearing Member (as applicable) in an amount equal to the proportion that the outstanding SwapClear Contribution and Listed Interest Rates Contributions, where applicable, of the relevant FCM Clearing Member or SwapClear Clearing Member and/or the outstanding ForexClear Contribution of the relevant FCM Clearing Member or ForexClear Clearing Members bears to the aggregate of: (i) the sum of the outstanding SwapClear Contributions of all relevant FCM Clearing Members and SwapClear Clearing Members and (ii) the sum of the outstanding ForexClear Contributions of all relevant FCM Clearing Members and ForexClear Clearing Members.

(b) Notwithstanding anything to the contrary in these FCM Regulations or the FCM Rulebook, this FCM Regulation 38 shall be governed by and construed in accordance with the governing law provided for in paragraph (a) of General Regulation 51 (under the UK General Regulations).

(c) For the purposes of this FCM Regulation 38, the term "Clearing Member" shall include FCM Clearing Members and all other Clearing Members (as defined in the UK General Regulations) of the Clearing House.

## CHAPTER XI - MISCELLANEOUS

### REGULATION 39 FCM PROCEDURES

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

**REGULATION 40 INTERPRETATION OF THESE FCM REGULATIONS; APPLICABLE LAW; CLEARING HOUSE DATA**

(a) In the event of inconsistency between the provisions of these FCM Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking the provisions of these FCM Regulations shall prevail.

(b) The headings to these FCM Regulations are for convenience only and shall not affect their interpretation.

(c) FCMs shall at all times observe, interpret and give effect to the provisions of the Rulebook in a manner which promotes and maintains:

(i) the Clearing House's status as a recognised central counterparty under EMIR and a registered derivatives clearing organization under the United States Commodity Exchange Act and any other legal or regulatory status it has from time to time under any other Applicable Law;

(ii) the good reputation and integrity of the Clearing House and FCMs; and

(iii) the Clearing House's obligations under EMIR and any Applicable Law to act fairly and professionally in accordance with the best interests of FCMs and, where applicable, FCM Clients and sound risk management.

(d) FCMs shall perform their obligations and exercise their rights under the Rulebook in accordance with Applicable Law.

(e) FCM Clearing Members, FCM Clients and the service providers of FCM Clearing Members and FCM Clients may use Clearing House Data solely for the purposes of risk management and settlement activities in relation to FCM Contracts and positions held for the account of an FCM Client. FCM Clearing Members may only disclose the Clearing House Data:

(i) to (A) FCM Clients for whom the FCM Clearing Member provides Client Clearing Services and/or the service providers of such FCM Clients and (B) the service providers of the FCM Clearing Members, **provided** that, in each case, the FCM Clearing Members shall require by way of written contract that each relevant FCM Client and/or service provider shall only use Clearing House Data for the purposes of the FCM Client's or FCM Clearing Member's, as applicable, risk management and settlement activities in relation to FCM Contracts and positions held for the account of an FCM Client referencing the relevant Clearing House Data; and

(ii) where required or requested to do so by law or by a regulatory authority or for the purposes of commencing, or defending, an arbitration or court proceeding.

(f) Without prejudice to paragraph (f) above and Section 2.1.1(e) of the FCM Procedures, FCMs shall not, and shall require by way of written contract that any third party receiving Clearing House Data as a result of such FCM's disclosure shall not, use any Clearing House Data for any other purpose, including:

(i) the creation or development of any new or derived data or data product; or

(ii) "provision of a benchmark", "use of a benchmark" or "contribution of input data" under Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (Text with EEA relevance).

## REGULATION 41 WAIVER

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

## REGULATION 42 VALIDITY OF FCM REGULATIONS AND ACTION

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

(b) Action taken by the Clearing House pursuant to Exchange Rules may not be questioned on the ground that the Exchange Rules are to any extent invalid or ultra vires or that a determination or request made by the Exchange, or any agreement made by the Exchange, is ultra vires, incompatible with Exchange Rules or otherwise questionable.

## REGULATION 43 GOVERNING LAW AND JURISDICTION

(a) These FCM Regulations, the FCM Procedures and each FCM Contract shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts of laws principles, and in accordance with the laws of the United States of America, including the CEA and applicable bankruptcy and insolvency laws.

(b) The Other Specific Regulations shall be governed by and construed in accordance with the laws of England and Wales.

(c) The Clearing House and every FCM Clearing Member hereby irrevocably agree for the benefit of the Clearing House that (i) the courts of the State of New York, Borough of Manhattan in the United States of America, (ii) the United States District Court for the Southern District of New York, or (iii) the courts of England and Wales shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any FCM Contract, these FCM Regulations, the FCM Procedures or to the Other Specific Regulations (in the case of the Other Specific Regulations, only with respect to a claim or matter arising from or in relation to an FCM Contract, FCM Clearing Services or these FCM Regulations), and each FCM Clearing Member irrevocably submits to such jurisdiction and waives any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the courts of the State of New York, Borough of Manhattan in the United States of America, the United States District Court for the Southern District of New York or the courts of England and Wales shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.

(d) The Clearing House and each FCM Clearing Member hereby irrevocably waives any right to a trial by jury in any litigation directly or indirectly arising out of or relating to any FCM Contract, the FCM Procedures, the Other Specific Regulations or to these FCM Regulations.

(e) Each FCM Clearing Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment) and execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

## REGULATION 44 EXCLUSION OF LIABILITY

(a) Neither the Clearing House nor any other member of the LCH Group shall have any liability to an FCM Clearing Member or any other person in respect of any dispute arising from or in relation to any FCM Contract, including but not limited to, any dispute as to the validity or otherwise of such FCM Contract, the terms of such FCM Contract or whether any alleged agreement or arrangement constitutes an FCM Contract.

(b) The Clearing House shall not be liable for any obligations of or to a person who is not an FCM Clearing Member (including an FCM Client of an FCM Clearing Member), nor any obligations of an FCM Clearing Member to another FCM Clearing Member who is acting as a broker for the first FCM Clearing Member, nor shall the Clearing House become liable to make deliveries or accept deliveries from an FCM Client of an FCM Clearing Member.

(c) Without prejudice to the provisions of FCM Regulation 2 and paragraph (e), neither the Clearing House nor any other member of the LCH Group shall be liable whatsoever to any FCM Clearing Member, or to any other person in contract, tort (including negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of any nature whatsoever suffered or incurred as a result of: any suspension of clearing services, whether for a temporary period or otherwise, a step taken by the Clearing House under FCM Regulation 29, Regulation 30, Regulation 46 or Regulation 49(h) or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the FCM Regulations, or any decision by the Clearing House not to exercise any such discretion.

(d) Without prejudice to FCM Regulation 44(c) and paragraph (e), unless otherwise expressly provided in the FCM Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH Group shall be liable under any circumstances (including as a result of any negligence by the Clearing House, or any other member of the LCH Group, or their respective officers, employees, agents or representatives) to any FCM Clearing Member or any other Executing Party for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such FCM Clearing Member or other Executing Party and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH Group, or their respective officers, employees, agents or representatives.

(e) Nothing in this FCM Regulation 44 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or willful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or willful default on the part of the Clearing House.

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

(g) Without prejudice to FCM Regulation 2 and paragraph (e), , neither the Clearing House, nor any other member of the LCH Group, shall have any liability whatsoever to any FCM Clearing Member or to any other person (including, without limitation, any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by an FCM Clearing Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.

## REGULATION 45 SOLVENCY THREATENING TREASURY DEFAULT LOSS

(a) In this FCM Regulation:

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

"**Margin Weight**" means:

(i) the aggregate of an FCM Clearing Member's total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the FCM Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 45(b) below;

divided by

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

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

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

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

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

FCM Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.

(e) Each FCM Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that FCM Clearing Member's Proprietary Account.

(f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a FCM Clearing Member and may in no circumstances be challenged or called into question.

(g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each FCM Clearing Member and each "Clearing Member" under the UK General Regulations in respect of that Treasury Default by crediting the relevant FCM Clearing Member's Proprietary Account. Nothing in this Regulation 45(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

## CHAPTER XII - FCM SWAPCLEAR REGULATIONS

### REGULATION 46 REGISTRATION OF FCM SWAPCLEAR CONTRACTS; NOVATION AND POST-NOVATION COMPRESSION; SWAPCLEAR ACCOUNTS; PORTFOLIO TRANSFERS; BULK EVENTS

(a) In order for an FCM to register an FCM SwapClear Contract in respect of the registration of an FCM SwapClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM SwapClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must present the particulars of an FCM SwapClear Transaction for registration as two FCM SwapClear Contracts or one FCM SwapClear Contract and one Non-FCM SwapClear Contract (as the case may be) in accordance with these FCM Regulations. Each FCM SwapClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member.

(b) Once an FCM SwapClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2.1.3 of the FCM Procedures) request the consent of the relevant FCM Clearing Member with whom an FCM SwapClear Contract shall be registered as a result thereof to such registration. Upon the FCM Clearing Member providing its consent, such FCM SwapClear Transaction shall be deemed to have been submitted (as such term is defined in the FCM Procedures) by such FCM Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the FCM Procedures.

(c) An FCM Clearing Member which has been nominated to clear the FCM Contract arising from the registration of an FCM SwapClear Transaction on behalf of a third party Executing Party will (only where such FCM SwapClear Transaction is not an FCM Trading Venue Transaction) be notified by the Clearing House of such FCM SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such FCM SwapClear Transaction and the FCM SwapClear Contract resulting from such FCM SwapClear Transaction. Where:

(i) an FCM Clearing Member is an Executing Party to an FCM SwapClear Transaction and is to clear an FCM SwapClear Contract resulting from such FCM SwapClear Transaction; or

(ii) an FCM SwapClear Transaction is an FCM Eligible Trading Venue Transaction in respect of an FCM Clearing Member, and a third party Executing Party to such FCM SwapClear Transaction has nominated such FCM Clearing Member to clear an FCM SwapClear Contract resulting from such FCM SwapClear Transaction,

the consent of that FCM Clearing Member to the registration of the relevant FCM SwapClear Contract will occur automatically and without the need for any further action by such FCM Clearing Member.

(d) Without prejudice to the Clearing House's rights under paragraph (g) of this FCM Regulation 46, an FCM Clearing Member shall be bound by an FCM SwapClear Contract registered in its name.

(e) The Clearing House shall register or reject the registration of an FCM SwapClear Contract in respect of an FCM SwapClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where the following are conditions for registration of an FCM SwapClear Contract:

(i) both sides of the relevant FCM SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;

(ii) the relevant FCM SwapClear Transaction meets the FCM SwapClear Product Eligibility Criteria prescribed in the FCM Product Specific Contract Terms and Eligibility Criteria Manual at the time the particulars of the FCM SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;

(iii) each FCM SwapClear Contract resulting from an FCM SwapClear Transaction is consented to by the relevant FCM Clearing Member in accordance with paragraph (c) above and Section 2.1.3 of the FCM Procedures;

(iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 14 and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM SwapClear Contract prior to registration (taking into account SwapClear Tolerance, if any); provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM SwapClear Contract where such FCM SwapClear Contract results from an FCM SwapClear Transaction that is a Sub-Block Trading Venue Transaction; and

(v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM SwapClear Contract or the other FCM SwapClear Contract (as the case may be) deriving from the relevant FCM SwapClear Transaction have been satisfied.

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

(f) The Clearing House shall be deemed to register an FCM SwapClear Contract, in accordance with this FCM Regulation 46 in the name of an FCM Clearing Member, at the time prescribed in the FCM Procedures ("**Registration Time**"). At the Registration Time, the FCM Clearing Member, and the FCM Client if applicable, will be deemed to be bound by the relevant FCM SwapClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 1 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

(g) If at any time after registration of an FCM SwapClear Contract, the Clearing House determines that the corresponding FCM SwapClear Transaction of which details were presented for registration did not, at the Registration Time, meet the FCM SwapClear Product Eligibility Criteria in existence at the Registration Time (an "**Ineligible FCM SwapClear Transaction**"), the Clearing House shall, immediately following the next margin run following such determination, set aside both FCM SwapClear Contracts (or, the FCM SwapClear Contract and the Non-FCM SwapClear Contract, if applicable) arising from such Ineligible FCM SwapClear Transaction. Upon an FCM SwapClear Contract being set aside under this paragraph (any such FCM SwapClear Contract, an "**Ineligible FCM SwapClear Contract**"): (i) the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM SwapClear Contract via the FCM Approved Trade Source System through which details of the relevant Ineligible FCM SwapClear Transaction were originally presented to the Clearing House that such Ineligible FCM SwapClear Contract has been set aside; and (ii) such Ineligible FCM SwapClear Contract shall immediately be deemed to be terminated and shall thereafter have no force or effect. Where an Ineligible FCM SwapClear Contract is set aside pursuant to this paragraph, all payments (including Settlement Payments) (if any) paid by the Clearing House or by an FCM Clearing Member (or SwapClear Clearing Member, if applicable) in respect of such Ineligible FCM SwapClear Contract up to and including the time when such Ineligible FCM SwapClear Contract was set aside shall be retained by the receiving party upon termination as a termination payment. Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 46, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an Ineligible FCM SwapClear Contract.

(h) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM SwapClear Contracts are to be registered to furnish it with Margin as a condition of registration of such FCM SwapClear Contract(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation 14 and such other applicable provisions in the FCM Rulebook.

(i) Notwithstanding anything to the contrary in the FCM Rulebook, the Clearing House may decline to register an FCM SwapClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market, **provided that** the Clearing House may (subject to the provisions of the FCM Rulebook) register any FCM SwapClear Contract which

reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM SwapClear Transaction subject to any conditions stipulated by the Clearing House including the furnishing of additional Margin by any FCM Clearing Member in whose name any such FCM SwapClear Transaction is to be registered.

(j) An FCM SwapClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:

(i) in the case where one Executing Party clears its side of such FCM SwapClear Transaction, either through a SwapClear Clearing Member or directly with the Clearing House in its capacity as a SwapClear Clearing Member, and the other Executing Party clears its side of such FCM SwapClear Transaction as or through an FCM Clearing Member, as one Non-FCM SwapClear Contract pursuant to the UK General Regulations applicable to SwapClear Clearing Members and one FCM SwapClear Contract pursuant to these FCM Regulations, where the FCM SwapClear Contract shall be registered between the FCM Clearing Member, as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the Non-FCM SwapClear Contract shall be registered between the Clearing House, as the party paying Rate X, and the SwapClear Clearing Member, as the party paying Rate Y; or

(ii) in the case where each Executing Party will clear its respective side of such FCM SwapClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM SwapClear Contracts pursuant to these FCM Regulations where each relevant FCM SwapClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the party paying Rate X, and the Clearing House as the party paying Rate Y, and the other FCM Clearing Member as the party paying Rate Y and the Clearing House as the party paying Rate X.

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

(k) For the avoidance of doubt, following the occurrence of an FCM Client Default, the FCM Clearing Member is permitted, but not obligated, to act in a capacity other than as agent of the FCM Client, which may include acting as principal (e.g., with respect to any FCM SwapClear Contracts registered in accordance with Section 2.1.13(c) of the Procedures or any other actions permitted under FCM Regulation 13(d)), even though the FCM Clearing Member may be entitled to a right of indemnity from, or be required to account for any gains to, the FCM Client in respect of such FCM SwapClear Contracts. With effect from the registration of an FCM SwapClear Transaction in accordance with FCM Regulation 46(j) above:

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

(ii) each FCM SwapClear Contract registered under FCM Regulation 46(j) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;

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

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

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

(l) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 46 or any other applicable provision of the FCM Rulebook.

(m) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 46 shall take effect.

(n) **Compression**.

(i) The Clearing House may from time to time determine FCM SwapClear Contracts that are eligible for compression in accordance with this Regulation 46(n) and the FCM Procedures (such FCM SwapClear Contracts, "**Eligible FCM SwapClear Compression Contracts**"), which may include FCM SwapClear Contracts that, inter alia, have substantially similar economic terms.

(ii) An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, to compress and combine all such FCM SwapClear Contracts that are either (i) registered on the FCM Clearing Member's own behalf or (ii) registered on behalf of the same FCM Client.

(iii) The Clearing House will effect the compression of Eligible FCM SwapClear Compression Contracts by terminating the relevant Eligible FCM SwapClear Compression Contracts and, in some instances, compressing them into one or more new FCM SwapClear Contracts having a net future cash flow equal to the net future cash flow of the original Eligible FCM SwapClear Compression Contracts.

(iv) For the avoidance of doubt, the Clearing House may determine that FCM SwapClear Contracts are Eligible FCM SwapClear Compression Contracts even if they have differing fixed or floating rates. FCM SwapClear Contracts that are compressed shall be (i) aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated) or (ii) netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment).

(v) In most circumstances, the FCM SwapClear Contract (if any) that replaces the compressed Eligible FCM SwapClear Compression Contracts shall have a notional amount equal to the net notional amount of the compressed Eligible FCM SwapClear Compression Contracts, however, in some cases the replacement FCM SwapClear Contracts will have an aggregate notional amount that is greater than the net notional amount of the compressed FCM SwapClear Contracts, **provided that** in no event will the aggregate notional amounts of the replacement FCM SwapClear Contracts be greater than the aggregate notional amounts of the compressed Eligible FCM SwapClear Compression Contracts, and **provided further** that in the event that the net notional amount and net future cash flows are equal to zero such compression shall result in no replacement FCM SwapClear Contracts.

(vi) The Clearing House shall determine (in its sole discretion) whether Eligible FCM SwapClear Compression Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such Eligible FCM SwapClear Compression Contracts are compressed, the Clearing House shall determine the resulting terms of the FCM SwapClear Contract(s) (if any) that replaces the compressed Eligible FCM SwapClear Compression Contracts. Such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of Eligible FCM SwapClear Compression Contracts that the amount of Margin that the Clearing House requires in respect of the original Eligible FCM SwapClear Compression Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

Following the compression of Eligible FCM SwapClear Compression Contracts pursuant to the Regulation 46(n), and in the event that the Clearing House considers in its sole discretion that the post-compression FCM SwapClear Contracts have a "small notional amount," then the Clearing House may, upon written request by the relevant FCM Clearing Member, effect the termination of the FCM SwapClear Contract(s) with a small notional amount. By making a request to terminate FCM SwapClear Contracts in accordance with this Regulation 46(n), the relevant FCM Clearing Member shall be deemed to represent and warrant that: (i) such termination, if effected, will be in accordance with Applicable Law; and (ii) it consents to the termination of the relevant FCM SwapClear Contracts.

(vii) In addition to the foregoing, the Clearing House may, from time to time in its absolute discretion, make available in accordance with this FCM Regulation 46 Multilateral Compression on the basis of a Multilateral Compression Cycle which is either:

(A) an ACSP Compression Cycle, available to FCM Clearing Members and/or applicable non-FCM Clearing Members (each a "**Compression Clearing Member**", and either on their own behalf or on behalf of an Authorised Compression Client); or

(B) a Member Compression Cycle, where so requested by two or more Compression Clearing Members and agreed to by the Clearing House.

(viii) In participating in any Multilateral Compression Cycle, a Compression Clearing Member:

(A) must be party to relevant Compression Documentation with the Clearing House and/or any nominated ACSP at such time as is contemplated in the Compression Documentation and from such time up to and including the Compression Time for that Multilateral Compression Cycle and at all relevant times must be accepted by the Clearing House and/or any nominated ACSP as an entity eligible to participate in such Multilateral Compression Cycle;

(B) in relation to an ACSP Compression Cycle, shall nominate those FCM SwapClear Contracts that it wishes to make available for Multilateral

Compression in accordance with the relevant Compression Documentation;

(C) in relation to a Member Compression Cycle, shall together with the other requesting Compression Clearing Members, provide to the Clearing House details of the proposed Terminating FCM SwapClear Contracts and, where the Member Compression Cycle also includes the registration of Post-Multilateral Compression Contracts, details of those FCM SwapClear Contracts (in such form as the Clearing House may require from time to time) which shall, subject to the Clearing House's confirmation, constitute the Compression Proposal;

(D) warrants and represents to the Clearing House that the terms of its participation in the proposed Multilateral Compression Cycle are in compliance with Applicable Law;

(E) agrees and acknowledges that the Multilateral Compression Cycle will operate, and Multilateral Compression shall take place, in accordance with this FCM Regulation 46, the relevant Compression Proposal as accepted by such Compression Clearing Member, relevant Compression Documentation and such other processes and procedures as may be notified by the Clearing House from time to time; and

(F) warrants and represents that, in the event that it provides or receives instructions to or from the Clearing House or to the ACSP on behalf of an Authorised Compression Client and in connection with a Multilateral Compression Cycle, that it is authorised to provide or receive such instructions on behalf of such Authorised Compression Client.

(ix) Multilateral Compression for an Authorised Compression Client is subject to such Authorised Compression Client providing the Clearing House all such documents as required by the Clearing House in its sole discretion.

(x) Where the Clearing House intends to run an ACSP Compression Cycle, it shall nominate an ACSP to facilitate such ACSP Compression Cycle and produce the Compression Proposal. Such ACSP shall notify Compression Clearing Members meeting the criteria at (viii)(A) above of the timing and procedure for such ACSP Compression Cycle and invite such Compression Clearing Members to confirm their interest, either on their own behalf or on behalf of an Authorised Compression Client (where applicable). The Compression Documentation for such Multilateral Compression Cycle shall include any documentation relevant to that ACSP. Additional information on the administrative procedures for any Multilateral Compression Cycle may be included in the Compression Documentation or other procedures published by the Clearing House or a nominated ACSP from time to time or in connection with a particular Multilateral Compression Cycle.

(xi) In any Multilateral Compression Cycle, Multilateral Compression shall only take place in accordance with the terms of a Compression Proposal which has been established and accepted by all participating Compression Clearing

Members, in accordance with this FCM Regulation 46 and/or Regulation 56 of the UK General Regulations, as applicable (either on their own behalf or on behalf of an Authorised Compression Client, where applicable). Notwithstanding the other provisions of this FCM Regulation 46, the Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts proposed for inclusion in a Compression Proposal may be so included.

(xii) A Compression Proposal shall:

(A) in relation to an ACSP Compression Cycle, be generated by the nominated ACSP in accordance with the relevant Compression Documentation and details submitted to the ACSP by participating Compression Clearing Members (either on its own behalf or on behalf of an Authorised Compression Client) and be communicated by the ACSP to each participating Compression Clearing Member (either on its own behalf or on behalf of an Authorised Compression Client) in the manner contemplated in the relevant Compression Documentation for acceptance;

(B) in relation to a Member Compression Cycle, be constituted by the details submitted to the Clearing House by the requesting Compression Clearing Members (subject to the Clearing House's determination that such proposed details are eligible for Multilateral Compression), and shall form the basis for the subsequent acceptance by each requesting Compression Clearing Member; and

(C) in all cases include only those FCM SwapClear Contracts that are eligible for Multilateral Compression in the relevant Multilateral Compression Cycle.

(xiii) Where it wishes to participate in a Multilateral Compression Cycle, each participating Compression Clearing Member shall confirm its acceptance of a Compression Proposal in the manner and by the time specified by the Clearing House or otherwise contemplated in the relevant Compression Documentation. In relation to an ACSP Compression Cycle, each participating Compression Clearing Member agrees and acknowledges that the ACSP's confirmation to the Clearing House that such Compression Clearing Member has confirmed its acceptance of the Compression Proposal, either on its own behalf or on behalf of an Authorised Compression Client, to the ACSP shall constitute a binding acceptance by such Compression Clearing Member to the Clearing House for the purposes of this FCM Regulation 46. Upon a Compression Clearing Member's acceptance of a Compression Proposal in accordance with this paragraph, either on its own behalf or on behalf of an Authorised Compression Client, such Compression Clearing Member shall be irrevocably bound to the terms of that Compression Proposal and the Multilateral Compression contemplated thereunder.

(xiv) The Clearing House may require margin, subsequent to a Compression Clearing Member's acceptance of a Compression Proposal but prior to the

Compression Time, in connection with the Multilateral Compression Cycle and the Compression Clearing Member's positions thereunder.

(xv) Each Compression Clearing Member that confirms its acceptance of a Compression Proposal in accordance with relevant Compression Documentation agrees and acknowledges for the benefit of the Clearing House that, by its acceptance, such Compression Clearing Member:

(A) shall be bound by and act in accordance with the terms of this FCM Regulation 46, the Compression Documentation and any notifications made by the Clearing House or any nominated ACSP pursuant thereto;

(B) shall meet any margin calls from the Clearing House made prior to the Compression Time, and shall pay to the Clearing House any amounts that have become due and payable to the Clearing House at or prior to the Compression Time, in connection with the Multilateral Compression Cycle. Any such margin will be called, and any such amounts shall be paid, in accordance with the FCM Procedures; and

(C) is bound by the terms of the Compression Proposal and the terminations and, where applicable, registrations of FCM SwapClear Contracts comprised therein.

(xvi) Following acceptance of the Compression Proposal by all participating Compression Clearing Members, the Clearing House shall effect such Multilateral Compression at such time as it may determine. For the avoidance of doubt, the irrevocable acceptance of a Compression Proposal by participating Compression Clearing Members shall not bind or require the Clearing House to proceed with a Multilateral Compression Cycle. At any time prior to the Compression Time, the Clearing House may, in its sole and absolute discretion, decide not to proceed with a Multilateral Compression Cycle.

(xvii) Without prejudice to the rights of the Clearing House set out in paragraph (xvi) above, a Compression Proposal shall be rejected by the Clearing House if:

(A) a Compression Clearing Member that has accepted a Compression Proposal is not eligible to participate in the relevant Multilateral Compression Cycle;

(B) any of the FCM SwapClear Contracts included as a Post-Multilateral Compression Contract or a Terminating SwapClear Contract are not eligible for such Multilateral Compression Cycle;

(C) in relation to a Member Compression Cycle, the proposals submitted by the relevant Compression Clearing Members do not match;

(D) any Compression Clearing Member due to participate in a Multilateral Compression Cycle rejects the Compression Proposal or does not

provide the margin, or make any other payments, as required by the Clearing House (a "**Rejecting Compression Clearing Member**"); or

(E) a Compression Clearing Member has provided or accepted instruction in respect of an FCM Client that is not an Authorised Compression Client.

(xviii) When the Clearing House effects a Multilateral Compression, it shall terminate all Terminating FCM SwapClear Contracts and, where the Multilateral Compression includes the registration of Post-Multilateral Compression Contracts, simultaneously with and contingent upon the termination of such Terminating FCM SwapClear Contracts, shall register the Post-Multilateral Compression Contracts in the name of the relevant Compression Clearing Members (either in their respective Proprietary Account or FCM Client Sub-Account, as applicable). The Clearing House shall notify the participating Compression Clearing Members once the Multilateral Compression has been effected. Compression Clearing Members are responsible for providing notifications to Authorised Compression Clients.

(xix) Unless otherwise stated in the relevant Compression Documentation, the Clearing House shall have no involvement in and accepts no responsibility or liability in relation to any Multilateral Compression-related balancing, termination or ancillary payments or fees that participating Compression Clearing Members (or Authorised Compression Clients) may agree between themselves in accordance with relevant Compression Documentation or otherwise. In the event the Clearing House agrees to participate in the processing of ancillary payments or fees pursuant to the relevant Compression Documentation, the Clearing House accepts no liability to any Compression Clearing Member, FCM Client or third party in connection with or related to the processing of such ancillary payments or fees.

(xx) Without prejudice to any other provisions of these FCM Regulations, in particular FCM Regulation 37, or any Compression Documentation, neither the Clearing House nor any other member of LCH Group shall have any liability whatsoever to any Compression Clearing Member or to any other person (including any FCM Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damages, losses, costs or expenses of whatsoever nature suffered or incurred by a Compression Clearing Member or any other person (including any FCM Client), as the case may be:

(A) as a result of any action the Clearing House takes under this Regulation 46, whether in accordance with a Compression Proposal, in reliance on information provided by Compression Clearing Member or any ACSP or otherwise;

(B) in relation to an ACSP Compression Cycle, as a result of any action or omission of an ACSP, including, without limitation, any error or omission in the terms of any Compression Proposal; or

(C) in relation to any Multilateral Compression Cycle, as a result of any action or omission of a participating Compression Clearing Member, including, without limitation, any error or omission in the terms of any Compression Proposal.

(xxi) An ACSP's liability in respect of its acts or omissions is subject to the relevant terms of the applicable Compression Documentation.

(xxii) Any notification or communication required in connection with a Multilateral Compression Cycle shall be made in accordance with the Compression Documentation or, if not specified in the Compression Documentation, the FCM Procedures or such other guidance as the Clearing House may provide from time to time.

(xxiii) Notwithstanding any other provision of these Regulations or the terms of the FCM SwapClear Contracts, the Clearing House may disclose details of any Compression Proposal and related details of Compression Clearing Members and Authorised Compression Clients to any ACSP or otherwise as the Clearing House considers appropriate in order to facilitate a Multilateral Compression Cycle.

(xxiv) Where an FCM Clearing Member is a Rejecting Compression Clearing Member with respect to a Multilateral Compression Cycle on behalf of one or more of its Authorised Compression Clients, the Clearing House may, in its sole discretion, prevent such FCM Clearing Member from participating in future Multilateral Compression Cycles with respect to its FCM Client Sub-Account unless or until the Clearing House considers such FCM Client Sub-Account operationally capable of doing so, in its sole discretion.

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

(p) **Unallocated FCM SwapClear Transactions**. In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:

(i) In order for a FCM SwapClear Transaction executed by a Pre-Allocation Executing Party and to be subject to post-registration allocation (such transaction, an "**Unallocated FCM SwapClear Transaction**"), the FCM Clearing Member that will be registering the Unallocated FCM SwapClear Transaction (such FCM Clearing Member, a **"Pre-Allocation FCM Clearing Member"**) must have notified the Clearing House that it wishes to establish a FCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such FCM SwapClear Suspension Sub-Account for the FCM Clearing Member.

(ii) The FCM SwapClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated FCM SwapClear Transaction

(an "**Unallocated FCM SwapClear Contract**") shall be registered in the FCM SwapClear Suspension Sub-Account. The beneficial owner of the Unallocated FCM SwapClear Contract shall be the unidentified FCM Client on whose behalf the Unallocated FCM SwapClear Transaction was executed.

(iii) In order to allocate an Unallocated FCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an FCM Approved Trade Source System, the SwapClear API or such other means as notified by the Clearing House. FCM Clearing Members agree that FCM Clients may provide Allocation Notices to the Clearing House on their behalf via the SwapClear Portal.

(iv) Where the foregoing delivery methods are unavailable, or in such other circumstances that the Clearing House deems appropriate, the Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member as the case may be may provide the Allocation Notice in the form of a direct written request, subject that the processing of an Allocation Notice received as a direct written request may take the Clearing House up to five (5) Business Days.

(v) Where an Allocation Notice: (i) contains instructions that would result in the allocation of a notional value that is greater than the notional value of the Unallocated FCM SwapClear Contract to which such Allocation Notice relates; or (ii) does not relate to an Unallocated FCM SwapClear Contract; or (iii) seeks to allocate part of all of an Unallocated FCM SwapClear Contract to a Proprietary Account of a SwapClear Clearing Member other than the Pre-Allocation FCM SwapClear Clearing Member, then such Allocation Notice shall be ineligible and shall be rejected by the Clearing House. For the avoidance of doubt, the Post-Allocation Clearing Member(s) need not be the same as the Pre-Allocation FCM Clearing Member. Unless or until the Clearing House receives an eligible Allocation Notice, the Unallocated FCM SwapClear Contract shall remain in the Pre-Allocation FCM Clearing Member's FCM SwapClear Suspension Sub-Account and subject to the rules of the Clearing House.

(vi) Following receipt of an eligible Allocation Notice, the Clearing House shall (following acceptance from the relevant Post-Allocation Clearing Member(s) and the Pre-Allocation FCM Clearing Member, in the same manner as a new FCM SwapClear Transaction is accepted in accordance with the FCM Procedures):

(A) close out the outstanding Unallocated FCM SwapClear Contract and simultaneously register two or more (as applicable) FCM SwapClear Contracts to the same FCM SwapClear Suspension Sub-Account, and these newly registered FCM SwapClear Contracts shall have the same Economic Terms as the Unallocated FCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated FCM SwapClear Contract) – for the purpose of the

foregoing, if the Allocation Notice has not allocated the full notional value of the Unallocated FCM SwapClear Contract, one of the FCM SwapClear Contracts so registered by the Clearing House shall be a new Unallocated FCM SwapClear Contract with a notional value equal to that portion of the Unallocated FCM SwapClear Contract that has not been allocated; and

(B) following the actions described in paragraph (A) above, transfer one or more of the newly registered FCM SwapClear Contracts resulting from the cancellation of the Unallocated FCM SwapClear Contract to the applicable Client Segregated Sub-Accounts, Client Account or Proprietary Account in accordance with the Allocation Notice. Following the transfer of one or more of the newly registered FCM SwapClear Contracts, any remaining FCM SwapClear Contract that has not been transferred shall thereafter be the Unallocated FCM SwapClear Contract.

Where an Allocation Notice directs the entire notional amount of an Unallocated FCM SwapClear Contract to be allocated to a single Client Segregated Sub-Account, Client Account or the Proprietary Account, then the Clearing House shall not take the steps described in sub-paragraphs (A) and (B) above and shall instead transfer the Unallocated FCM SwapClear Contract to the applicable Client Segregated Sub-Account, Client Account or Proprietary Account following receipt of the Allocation Notice.

Where the transfer is from an FCM SwapClear Suspension Sub-Account to a Client Account, the relevant FCM SwapClear Contract shall be converted to a SwapClear Contract.

By a Pre-Allocation FCM Clearing Member delivering an eligible Allocation Notice to the Clearing House, that Pre-Allocation FCM Clearing Member shall be deemed to represent and warrant that it has been properly authorized by the Pre-Allocation Executing Party to allocate the relevant Unallocated FCM SwapClear Contract or, where the allocation is to such Pre-Allocation FCM Clearing Member's Proprietary Account, in accordance with paragraph (vii) below. Where the Clearing House receives an ineligible Allocation Notice, the Unallocated FCM SwapClear Transaction to which it relates shall remain in the FCM SwapClear Suspension Sub-Account.

(vii) Subject to paragraph (viii) below, the transfer of an Unallocated FCM SwapClear Contract from the FCM SwapClear Suspension Sub-Account to a Client Segregated Sub-Account, Client Account or Proprietary Account shall be final. In no event can Unallocated FCM SwapClear Contracts be further allocated once they are transferred from the FCM SwapClear Suspension Sub-Account.

(viii) Where an Unallocated FCM SwapClear Contract has been registered to an FCM SwapClear Suspension Sub-Account and is not allocated by the Pre-Execution Allocating Party or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation FCM Clearing Member may submit an Allocation Notice to the Clearing House requesting the transfer of

the relevant Unallocated FCM SwapClear Contract to that FCM Clearing Member's Proprietary Account. An FCM Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with Applicable Law and regulation and the FCM Clearing Member's contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).

(ix) Where an Unallocated FCM SwapClear Contract has been erroneously allocated to a Client Segregated Sub-Account or Client Account the Clearing House will, in response to a written request from a Post-Allocation Clearing Member and subject to acceptance of the transfer by the relevant Pre-Allocation FCM Clearing Member, transfer an FCM SwapClear Contract or SwapClear Contract (as applicable) to the FCM SwapClear Suspension Sub-Account from which that FCM SwapClear Contract was allocated. Following such transfer, the FCM SwapClear Contract shall be treated as an Unallocated FCM SwapClear Contract except that the provisions of FCM Regulation 46(o)(iv) shall not apply to it, such that an over-allocation will not be ineligible and will result in the allocation of the notional amount prescribed in an Allocation Notice. Any transfer pursuant to this FCM Regulation 46(o)(viii) must be requested within three Business Days of the original allocation to the relevant Client Segregated Sub-Account or Client Account. Through requesting a transfer pursuant to this paragraph (viii), the Post-Allocation Clearing Member shall be deemed to represent and warrant that the transfer is in accordance with Applicable Law.

(x) The registration and allocation of Unallocated FCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook including, where applicable, and to the same extent as if an Unallocated FCM SwapClear Transaction or Allocation Notice were a new FCM SwapClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation FCM Clearing Member of adequate Margin in the FCM SwapClear Suspension Sub-Account at the time of registration of the Unallocated FCM SwapClear Contract; (B) the provision by the applicable Post-Allocation Clearing Member(s) of adequate Margin, at the time of the transfer of the relevant Unallocated FCM SwapClear Contract, in respect of each of the applicable Client Segregated Sub-Accounts, Client Accounts or Proprietary Account to which an Unallocated FCM SwapClear Contract is to be allocated. If adequate Margin is not so provided in respect of each Proprietary Account, Client Account, Client Segregated Sub-Account and Omnibus Client Swaps Account with LCH, the Clearing House may in its sole discretion, delay or reject the allocation and transfer all or any portions of the Unallocated SwapClear FCM Contract, and may take any other actions permitted under the FCM Rulebook.

(xi) In order to meet the obligations of a FCM Clearing Member set out under paragraph (viii) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM SwapClear Transaction to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM SwapClear

Transaction, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.

(xii) Each Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member must comply with the applicable provisions of the CFTC Regulations (including CFTC Regulations 1.35 and 1.73) and all other Applicable Law, and shall be responsible for ensuring that Pre-Allocation Executing Parties clearing through it are in compliance with CFTC Regulation 1.35(b)(5), where applicable.

(q) **Portfolio Transfers**. Other than in the event that an FCM Clearing Member is a Defaulter, an FCM Clearing Member providing FCM SwapClear Clearing Services may, acting for its own account or for the account of an FCM Client, effect Permitted Transfers in accordance with paragraphs (a) and (b)(ii)-(iv) of UK General Regulation 60 and Section 1.15 (*Portfolio Transfers – BAU)* of UK SwapClear Procedure 2C, **provided that**:

(i) references in paragraphs (a) and (b)(ii)-(iv) of UK General Regulation 60 and Section 1.15 of UK SwapClear Procedure 2C to:

(A) "Associated Collateral Balance" shall be understood to include, where the context so requires, references to the applicable Collateral attributable to the FCM Clearing Member or the FCM Client, as relevant to be transferred;

(B) "Carrying Clearing Member" shall be understood to be references to "Carrying Clearing Member" as defined in the FCM Rulebook;

(C) "Client Account" shall be understood to include, where the context so requires, references to "FCM Client Sub-Account";

(D) "Eligible Transferee" shall be understood to include, where the context so requires, references to an FCM Clearing Member, acting for its own account or for the account of an FCM Client, that will receive Transferring SwapClear Contracts from an Eligible Transferor;

(E) "Eligible Transferor" shall be understood to include, where the context so requires, references to an FCM Clearing Member, acting for its own account or for the account of an FCM Client, that will transfer Transferring SwapClear Contracts to an Eligible Transferee;

(F) "Proprietary Account" shall be understood to include, where the context so requires, references to "Proprietary Account" as defined in the FCM Rulebook;

(G) "Receiving Clearing Member" shall be understood to be references to "Receiving Clearing Member" as defined in the FCM Rulebook;

(H) "SCM or "SwapClear Clearing Member" shall be understood to include, where the context so requires, references to an FCM Clearing Member providing FCM SwapClear Clearing Services;

(I) "Sufficient Collateral" as used in Section 1.15.5(h) of UK SwapClear Procedure2C shall be understood to include, where the context so requires, references to "Required Margin"; and

(J) "SwapClear Contracts" shall be understood to include, where the context so requires, references to "FCM SwapClear Contracts";

(ii) any Permitted Transfer of FCM SwapClear Contracts shall occur by novation as provided in FCM Regulation 13(c)(i);

(iii) in respect of any Permitted Transfer where an FCM Clearing Member is the Carrying Clearing Member and that involves the transfer of an Associated Collateral Balance, the provisions of FCM Regulation 13(c)(ii) shall apply to the exclusion of Section 1.15.8(a)-(f) of UK SwapClear Procedure 2C;

(iv) in respect of any Permitted Transfer from one FCM Client Sub-Account to another FCM Client Sub-Account of the same FCM Clearing Member, the FCM Clearing Member acknowledges and agrees that the Clearing House may debit or credit the FCM Clearing Member's accounts at the Clearing House with any obligations, liabilities or otherwise as appropriate and permissible under Applicable Law;

(v) other than pursuant to FCM Regulation 13(d), an FCM Clearing Member, acting for its own account or for the account of an FCM Client, may not effect Permitted Transfers in accordance with paragraphs (d) of (e) of Section 1.15.2 of UK SwapClear Procedure 2C;

(vi) for the avoidance of doubt:

(A) any Permitted Transfers effected pursuant to this paragraph (p) remain subject to the provisions of: (I) FCM Regulation 13(g), (h) and (i); and (II) the CEA, the FCM Procedures and the CFTC Regulations regarding segregation of assets; and

(B) any Permitted Transfer from the Proprietary Account of a Carrying Clearing Member that is an FCM Clearing Member to the Proprietary Account of a Receiving Clearing Member that is an FCM Clearing Member may only occur where both FCM Clearing Members are Affiliates of each other.

(vii) Where the Receiving Clearing Member is an FCM Clearing Member and the Permitted Transfer involves one or more SwapClear CTM Contracts, it shall be a condition precedent to the Permitted Transfer that the Carrying Clearing Member has paid to the Clearing House, or the Clearing House has paid to the Carrying Clearing Member (as applicable), any cash settlement amount that the Clearing House determines (in its sole and absolute discretion) must be paid to ensure that the net present value of the SwapClear CTM Contract shall be equal to zero immediately prior to the completion of the Permitted Transfer. Such amounts shall be determined and paid by the relevant party in accordance with the FCM Procedures. The Clearing House may, in its sole and absolute discretion, apply any Collateral (as defined in the UK General

Regulations) held by it in respect of a SwapClear CTM Contract to satisfy (in whole or in part) the Carrying Clearing Member's obligation to pay the amount (if any) required under this FCM Regulation 46(q)(vii) in relation to that SwapClear CTM Contract. Any Collateral (as defined in the UK General Regulations) held by the Carrying Clearing Member in respect of such a SwapClear CTM Contract shall be applied to satisfy (in whole or in part) the Clearing House's obligation to pay the amount (if any) required under this FCM Regulation 46(q)(vii) in relation to that SwapClear CTM Contract.

(viii) FCM Clearing Members agree that FCM Clients may submit a Transfer Request on their behalf via the SwapClear Portal.

(r) **Bulk Events.** Each of the following processes constitutes a "**Bulk Event**" and will be processed together by the Clearing House in one individual bulk event cycle (each, a "**Bulk Event Cycle**") at such times as determined by the Clearing House in its sole discretion:

(i) ACSP Compression Cycle;

(ii) Backload Registration Cycle; and

(iii) Intra-Day Bulk Transfer.

The Clearing House may call for additional Collateral in respect of initial margin to be deposited or to secure the FCM Clearing Member's obligations in respect of additional Variation Settlement to be paid, in each case, in such amounts and at such times as the Clearing House, in its sole discretion, requires prior to processing a given Bulk Event Cycle. Any Collateral so called and deposited shall be reserved and made available solely in connection with the relevant Bulk Event Cycle. In the event the Clearing House calls and reserves additional Collateral for a given Bulk Event Cycle and, subsequently, one or more Bulk Events in that given Bulk Event Cycle is cancelled by the Clearing House, in its sole and absolute discretion, all Bulk Events in that given Bulk Event Cycle shall be cancelled. The Clearing House reserves the right to cancel any Bulk Event and/or Bulk Event Cycle in its sole and absolute discretion. The Clearing House shall publish the Bulk Event Cycle schedule on its website, as amended from time to time.

## REGULATION 47 DAILY SETTLEMENT OF FCM SWAPCLEAR CONTRACTS AND FCM FOREXCLEAR CONTRACTS

(a) The Clearing House shall, at least once per Business Day, determine (i) the change in the net present value, if any, of each FCM SwapClear Contract and FCM ForexClear Contract and (ii) the Price Alignment Amount, if any, payable on such Business Day in respect of each such Swap Product, in each case in such manner and at such times as may be provided in the FCM Procedures. Except as prescribed in the FCM Procedures, such determinations may in no circumstances be called in question. The time at which the Clearing House determines the change in the net present value and Price Alignment Amount, if any, in respect of a Swap Product is referred to herein as the "**NPV Determination Time**".

(b) At least once per Business Day and in accordance with the FCM Procedures, the Clearing House shall, unless there has not been a change in the net present value of the applicable Swap Product, pay a settlement payment to, or require a settlement payment from, an FCM Clearing Member in respect of each FCM SwapClear Contract and FCM ForexClear Contract registered in such FCM Clearing Member's name (each, a "**Variation Settlement**"). Each Variation Settlement shall be an amount of cash equal to the change from the preceding NPV Determination Time (or in the event that no NPV Determination Time has occurred in respect of a Swap Product, the change from the time of registration of such Swap Product) in the net present value of the applicable FCM SwapClear Contract or FCM ForexClear Contract.

(c) The Clearing House shall also pay to, or receive from, each applicable FCM Clearing Member the Price Alignment Amount, if any, in respect of the Cumulative Variation Settlement of each FCM SwapClear Contract and FCM ForexClear Contract registered in such FCM Clearing Member's name, in accordance with the FCM Procedures.

(d) In respect of the FCM SwapClear Contracts and FCM ForexClear Contracts registered in an FCM Clearing Member's name, on every Business Day, the Clearing House shall aggregate the amounts in item (i) below and (separately) the amounts in item (ii) below, in each case to the extent payable in the same currency and as provided below:

(i) the Variation Settlements, Price Alignment Amounts, any coupon payments and other amounts not transferred by way of a security interest or transferred in respect of a default fund payable by the FCM Clearing Member to the Clearing House on such date; and

(ii) the Variation Settlements, Price Alignment Amounts, any coupon payments and other amounts not transferred by way of a security interest or transferred in respect of a default fund payable by the Clearing House to the FCM Clearing Member on such date,

and, in respect of each currency, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, then the obligations of each party under this FCM Regulation 47 shall be automatically satisfied and discharged on payment by the party

by whom the larger aggregate amount would have been payable to the other party of the excess of the larger aggregate amount over the smaller aggregate amount (such excess, a "**Settlement Payment**"). All aggregation and netting pursuant to this FCM Regulation 47 in respect of an FCM Clearing Member's portfolio of FCM SwapClear Contracts and FCM ForexClear Contracts shall be calculated separately, in respect of each currency, with respect to (i) FCM SwapClear Contracts held in the FCM Clearing Member's Proprietary Account; (ii) FCM ForexClear Contracts held in the FCM Clearing Member's Proprietary Account; (iii) FCM SwapClear Contracts held on behalf of each of the FCM Clearing Member's FCM Clients in each applicable FCM Client Sub-Account; and (iv) FCM ForexClear Contracts held on behalf of each of the FCM Clearing Member's FCM Clients in each applicable FCM Client Sub-Account.

(e) Payment of a Settlement Payment shall be settlement (within the meaning of CFTC Rule 39.14) and shall be final, irrevocable and unconditional no later than when, in accordance with the FCM Procedures, (i) the relevant FCM Clearing Member's PPS bank has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House), (ii) such PPS bank has made the relevant payments and (iii) any time permitted by the relevant payment settlement system for the recall of any such payments has expired.

(f) The Clearing House and each FCM Clearing Member agree that payment of the amounts described in FCM Regulation 47(d) (or application of Eligible FCM Buffer to the obligation to pay such amounts in accordance with FCM Procedure 4.9.2) shall discharge the outstanding exposure, as of the NPV Determination Time, of the FCM SwapClear Contracts or FCM ForexClear Contracts in respect of which such payments are received (or Eligible FCM Buffer is applied).

(g) If an FCM Clearing Member owes an amount under FCM Regulation 47(d) in respect of a netting set of FCM SwapClear Contracts or FCM ForexClear Contracts and such amount is paid, or a commitment to pay such Settlement Payment is made, to the Clearing House (or the Clearing House applies Eligible FCM Buffer to such amount in accordance with FCM Procedure 4.9.2) by 9:00 London time on the Business Day following the day on which the Clearing House calls for such amount, the net present value of such FCM SwapClear Contracts or FCM ForexClear Contracts shall, for purposes of the FCM Regulations, reset to zero as of the NPV Determination Time. If the Clearing House owes an amount under Regulation 47(d) in respect of a netting set of FCM SwapClear Contracts or FCM ForexClear Contracts and such amount is paid, or a commitment to pay such amount is made, to the relevant FCM Clearing Member by 9:00 London time on the Business Day following the day on which such amount is calculated, the net present value of such FCM SwapClear Contracts or FCM ForexClear Contracts shall, for purposes of the FCM Regulations, reset to zero as of the NPV Determination Time. For the avoidance of doubt, any commitment to pay an amount described in FCM Regulation 47(d) is not to be regarded as satisfaction of the obligation to pay such amount.

(h) Notwithstanding anything to the contrary in FCM Regulation 14, neither the Clearing House nor any FCM Clearing Member shall be obligated to make any payment by way of variation margin in respect of an FCM SwapClear Contract or FCM ForexClear Contract, nor shall any transferred amount described in FCM Regulation 47(d), Variation Settlement or Price Alignment Amount constitute Collateral for

purposes of these Regulations. This FCM Regulation 47(h) shall be without prejudice to the Clearing House's other rights to require Collateral to be transferred to it under FCM Regulation 14 (including, but not limited to, its right to require Collateral to be transferred to it in respect of an FCM Clearing Member's Initial Margin obligations in respect of an FCM SwapClear Contract or FCM ForexClear Contract).

**REGULATION 48 [RESERVED.]**

## CHAPTER XIII - FCM FOREXCLEAR REGULATIONS

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

(a) In order for an FCM to register an FCM ForexClear Contract in respect of the registration of an FCM ForexClear Transaction, the FCM must be currently approved as an FCM Clearing Member pursuant to these FCM Regulations. The Executing Parties to such FCM ForexClear Transaction shall be responsible for any give-up or other agreement mutually agreed to among the parties with respect to such transactions, as applicable. An FCM Clearing Member must present the particulars of an FCM ForexClear Transaction for registration as an FCM ForexClear Contract in accordance with the FCM Rulebook. Each FCM ForexClear Transaction involving an FCM Client shall be presented to the Clearing House for registration on behalf of such FCM Client by its FCM Clearing Member. It is a condition for registration as an FCM ForexClear Contract that both sides of the underlying FCM ForexClear Transaction be presented for clearing (as one FCM ForexClear Contract and one Non-FCM ForexClear Contract, or as two FCM ForexClear Contracts, as the case may be).

(b) Once an FCM ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Section 2.2.8 of the FCM Procedures) request the consent of the relevant FCM Clearing Member with whom an FCM ForexClear Contract shall be registered as a result thereof to such registration. Upon the FCM Clearing Member providing its consent, such FCM ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the FCM Procedures) by such FCM Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the FCM Procedures.

(c) An FCM Clearing Member which has been nominated to clear the FCM Contract arising from the registration of an FCM ForexClear Transaction on behalf of a third party Executing Party will (only where such FCM ForexClear Transaction is not an FCM Trading Venue Transaction) be notified by the Clearing House of such FCM ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such FCM ForexClear Transaction and the FCM ForexClear Contract resulting from such FCM ForexClear Transaction. Where:

(i) an FCM Clearing Member is an Executing Party to an FCM ForexClear Transaction and is to clear an FCM ForexClear Contract resulting from such FCM ForexClear Transaction; or

(ii) an FCM ForexClear Transaction is an FCM Eligible Trading Venue Transaction in respect of an FCM Clearing Member, and a third party Executing Party has nominated such FCM Clearing Member to clear an FCM ForexClear Contract resulting from such FCM ForexClear Transaction,

the consent of that FCM Clearing Member to the registration of the relevant FCM ForexClear Contract will occur automatically and without the need for any further action by such FCM Clearing Member.

(d) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM Clearing Member shall be bound by an FCM ForexClear Contract registered in its name.

(e) The Clearing House shall register or reject the registration of an FCM ForexClear Contract in respect of an FCM ForexClear Transaction presented for registration subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where the following are conditions for registration of such FCM ForexClear Contract:

(i) both sides of the relevant FCM ForexClear Transaction have been properly presented and submitted for clearing by (or on behalf of) the Executing Parties;

(ii) the relevant FCM ForexClear Transaction meets the FCM ForexClear Product Eligibility Criteria prescribed in the FCM Product Specific Contract Terms and Eligibility Criteria Manual at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;

(iii) each FCM ForexClear Contract resulting from an FCM ForexClear Transaction is consented to by the relevant FCM Clearing Member (to the extent such consent is required) in accordance with paragraph (c) of this FCM Regulation 49 and the FCM Procedures;

(iv) the applicable FCM Clearing Member has furnished, upon request of the Clearing House and in accordance with FCM Regulation 14 and such other applicable provisions of the FCM Rulebook, all required Margin in respect of such FCM ForexClear Contract prior to registration (taking into account any available MER Buffer and ForexClear Tolerance, if any); provided that such Margin need not be furnished prior to registration as a condition to the registration of such FCM ForexClear Contract where such FCM ForexClear Contract results from an FCM ForexClear Transaction that is a Sub-Block Trading Venue Transaction; and

(v) all the conditions applicable (under the terms of the FCM Rulebook or the UK General Regulations, as the case may be) for the registration of the Non-FCM ForexClear Contract or the other FCM ForexClear Contract (as the case may be) deriving from the relevant FCM ForexClear Transaction have been satisfied.

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

(f) Without prejudice to the Clearing House's rights under paragraph (e) of this FCM Regulation 49, an FCM ForexClear Transaction, particulars of which are submitted for registration as an FCM ForexClear Contract, must meet the FCM ForexClear Product Eligibility Criteria at the time the particulars of the FCM ForexClear Transaction are presented to the Clearing House and must continue to meet such criteria at the Registration Time in order to be registered as an FCM ForexClear Contract, at which time the FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be) shall replace and supersede such corresponding FCM ForexClear Transaction.

(g) The Clearing House shall be deemed to register an FCM ForexClear Contract, in accordance with this FCM Regulation 49 in the name of an FCM Clearing Member at the Registration Time. At the Registration Time, the FCM Clearing Member, and the FCM Client if applicable, will be deemed to be bound by the relevant FCM ForexClear Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or FCM Client, which such terms shall, without limitation, incorporate all applicable terms of these FCM Regulations and of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual.

(h) **Ineligible Registered FCM ForexClear Transactions**

(i) If at any time after registration of an FCM ForexClear Contract, the Clearing House determines that the corresponding FCM ForexClear Transaction of which details were submitted for registration did not, at the Registration Time, meet the FCM ForexClear Product Eligibility Criteria in existence at the Registration Time (such an FCM ForexClear Transaction, an "**Ineligible FCM ForexClear Transaction**"), the Clearing House shall, as soon as practicable thereafter set aside such FCM ForexClear Contracts (or the FCM ForexClear Contract and the Non-FCM ForexClear Contract, as the case may be).

(ii) *Ineligible FCM ForexClear Transactions*. Upon an FCM ForexClear Contract being set aside under sub-clause (i) above (such set aside contract, an "**Ineligible FCM ForexClear Contract**"), the Clearing House will notify the FCM Clearing Member party to such Ineligible FCM ForexClear Contract via the ForexClear Matcher that such Ineligible FCM ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (A) such Ineligible FCM ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (B) all Settlement Payments (if any) paid by the Clearing House or by an FCM Clearing Member in respect of such Ineligible FCM ForexClear Contract shall be retained by the receiving party upon termination; (C) where there is a difference between the value of the Ineligible FCM ForexClear Contract as of the prior determination of its net present value under FCM Regulation 47 and the value (as determined by the Clearing House) of that Ineligible FCM ForexClear Contract at the time of the next official settlement rate for the relevant currency pair, then a payment shall be made between the FCM Clearing Members (or one FCM Clearing Member and one Non-FCM Clearing Member, as the case may be) to the original Ineligible FCM ForexClear Transaction equal to such difference; and (D) these payments shall be deemed to satisfy in full the relevant party's

obligations under the Ineligible FCM ForexClear Contract and shall be retained by the receiving party upon termination in accordance with (A) of this paragraph as a termination payment.

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

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

(iii) Without prejudice to FCM Regulation 44 and its obligations under this FCM Regulation 49, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of an FCM ForexClear Contract in respect of a transaction which did not meet the FCM ForexClear Product Eligibility Criteria at the Registration Time to enable it to be registered as an FCM ForexClear Contract.

(i) Where the FCM Procedures so provide, the Clearing House may require the FCM Clearing Members in whose names one or more FCM ForexClear Transactions are to be registered to furnish it with Margin as a condition of registration of such FCM Transaction(s), and such Margin shall be furnished to the Clearing House in accordance with FCM Regulation 14 and such other applicable provisions in the FCM Rulebook.

(j) The Clearing House may decline to register an FCM ForexClear Transaction in the name of an FCM Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market; **provided**, **that** the Clearing House shall (subject to the provisions of the FCM Rulebook) register any FCM ForexClear Contract which reduces the risk exposure of the Clearing House and the applicable FCM Clearing Member, as determined in the discretion of the Clearing House. The Clearing House may, without assigning any reason, make the registration of any FCM Transaction subject to any conditions stipulated by the Clearing House including the furnishing of additional Margin by any FCM Clearing Member in whose name any such FCM ForexClear Transaction is to be registered.

(k) **Registration of FCM ForexClear Transactions**. An FCM ForexClear Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House in one of the following ways:

(i) in the case where one Executing Party clears its side of such FCM ForexClear Transaction either through a Non-FCM Clearing Member or directly with the Clearing House in its capacity as a Non-FCM Clearing Member, and the other Executing Party clears its side of such FCM ForexClear Transaction as or

through an FCM Clearing Member, as one Non-FCM ForexClear Contract pursuant to the UK General Regulations applicable to Non-FCM Clearing Members and one FCM ForexClear Contract pursuant to these FCM Regulations, where (i) the FCM ForexClear Contract shall be registered between the FCM Clearing Member as the Reference Currency Buyer and the Clearing House as the Reference Currency Seller (or vice versa as applicable), and (ii) the Non-FCM ForexClear Contract shall be registered between the Clearing House as the Reference Currency Buyer and the Non-FCM Clearing Member as the Reference Currency Seller (or vice versa as applicable); or

(ii) in the case where each Executing Party will clear its respective side of such FCM ForexClear Transaction either through an FCM Clearing Member or directly itself as an FCM Clearing Member, as two FCM ForexClear Contracts pursuant to these FCM Regulations where each relevant FCM ForexClear Contract is registered between the relevant FCM Clearing Member and the Clearing House, with one such FCM Clearing Member as the Reference Currency Buyer, and the Clearing House as the Reference Currency Seller, and the other FCM Clearing Member as the Reference Currency Seller and the Clearing House as the Reference Currency Buyer.

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

(l) **Effect of Registration of FCM ForexClear Transactions**. With effect from the registration of an FCM ForexClear Transaction in accordance with FCM Regulation 49(k):

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

(ii) Each FCM ForexClear Contract registered under FCM Regulation 49(k) shall be governed by the FCM ForexClear Contract Terms as applicable to that FCM ForexClear Contract.

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

(iv) Subject to sub-paragraph (ii) above, in respect of the Economic Terms, an FCM Clearing Member (or clearing on behalf of a person) that is the

Reference Currency Seller under an FCM ForexClear Transaction shall have the same rights against, and owe the same obligations to, the Clearing House under the corresponding FCM ForexClear Contract registered by it in respect of such FCM ForexClear Transaction.

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

(m) If an FCM ForexClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM ForexClear Contract arising under this FCM Regulation 49 or any other applicable provision of the FCM Rulebook.

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

(o) **Compression.**

(i) The Clearing House may from time to time determine FCM ForexClear Contracts that are eligible for compression in accordance with this FCM Regulation 49(o) and the FCM Procedures (such FCM ForexClear Contracts, "**Eligible FCM ForexClear Compression Contracts**"), which may include FCM ForexClear Contracts that, inter alia, have substantially similar economic terms.

(ii) An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, to compress and combine all such FCM ForexClear Contracts (i) registered on the FCM Clearing Member's own behalf, or (ii) registered on behalf of the same FCM Client and in the same FCM Client Sub-Account.

(iii) The Clearing House will effect the compression of Eligible FCM ForexClear Compression Contracts by terminating the relevant Eligible FCM ForexClear Compression Contracts and, in some instances, compressing them into one or more FCM ForexClear Contracts having a net future cash flow equal to the net future cash flow of the original Eligible FCM ForexClear Compression Contracts.

(iv) For the avoidance of doubt, the Clearing House may determine FCM ForexClear Contracts are Eligible FCM ForexClear Compression Contracts

even if they have differing Forward Rates (as defined in schedule 3 of the FCM Product Specific Contract Terms and Eligibility Criteria Manual).

(v) The Clearing House shall determine (in its sole discretion) whether Eligible FCM ForexClear Compression Contracts that are the subject of a request for compression from the FCM Clearing Member may be compressed and, if such Eligible FCM ForexClear Compression Contracts are compressed, the Clearing House shall determine (in its sole discretion) whether any replacement ForexClear Contract(s) shall replace the compressed Eligible FCM ForexClear Compression Contracts and, if so, the resulting terms of such FCM ForexClear Contract(s). Such determinations shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression of Eligible FCM ForexClear Compression Contracts that the amount of Margin that the Clearing House requires in respect of the original FCM ForexClear Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM ForexClear Contract(s).

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

(q) **Unallocated FCM ForexClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM ForexClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:

(i) In order for an FCM ForexClear Transaction executed by a Pre-Allocation Executing Party to be subject to post-registration allocation (such transaction, an "**Unallocated FCM ForexClear Transaction**"), the FCM Clearing Member that will be registering the Unallocated FCM ForexClear Transaction (such FCM Clearing Member, a "**Pre-Allocation FCM Clearing Member**") must have provided the Clearing House with prior notice that it wishes to establish an FCM ForexClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party, and the Clearing House must have opened such FCM ForexClear Suspension Sub-Account for the FCM Clearing Member.

(ii) The FCM ForexClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated FCM ForexClear Transaction (such contract, an "**Unallocated FCM ForexClear Contract**") shall be registered in the relevant FCM ForexClear Suspension Sub-Account. The beneficial owner of the Unallocated FCM ForexClear Contract shall be the unidentified FCM Client on whose behalf the Unallocated FCM ForexClear Transaction was executed.

(iii) To effect the allocation of an Unallocated FCM ForexClear Contract, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must present to the Clearing House an FCM ForexClear Transaction through an Approved Trade Source System that identifies (i) the Client Account, FCM Client Sub-Account or Proprietary Account, as applicable, of the Post-

Allocation Clearing Member to which such Unallocated FCM ForexClear Contract will be allocated and (ii) the FCM ForexClear Suspension Sub-Account to which the relevant FCM ForexClear Transaction relates. For the avoidance of doubt, such FCM ForexClear Transaction must be accepted as a new FCM ForexClear Transaction in accordance with the FCM Regulations and FCM Procedures.

(iv) Following the presentation and acceptance of an FCM ForexClear Transaction pursuant to paragraph (iii) above, the Clearing House shall (A) register one or more (as applicable) offsetting FCM ForexClear Contracts to the same FCM ForexClear Suspension Sub-Account and (B) register one or more (as applicable) corresponding FCM ForexClear Contracts to the relevant Client Account, FCM Client Sub-Account or Proprietary Account, as applicable, of the relevant Post-Allocation Clearing Member; each such newly registered FCM ForexClear Contract shall have the same Economic Terms as the corresponding Unallocated FCM ForexClear Contract, provided that the aggregate notional value of such newly registered FCM ForexClear Contract(s) (in respect of (B) above) shall equal the notional value of the relevant FCM ForexClear Transaction. For the avoidance of doubt, in the event the notional value of the FCM ForexClear Transaction accepted pursuant to paragraph (iii) exceeds the notional value of the relevant Unallocated FCM ForexClear Contract, the Clearing House shall register the applicable FCM ForexClear Contracts in accordance with this paragraph.

(v) The registration and allocation of Unallocated FCM ForexClear Contracts as set forth above is subject to all other applicable provisions of the FCM Rulebook including, where applicable, and to the same extent as if an Unallocated FCM ForexClear Transaction were a new FCM ForexClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation FCM Clearing Member of adequate Margin in its FCM ForexClear Suspension Sub-Account at the time of registration of the Unallocated FCM ForexClear Contract; and (B) the provision by the applicable Post-Allocation FCM Clearing Member(s) of adequate Margin, at the time of the registration of the relevant FCM ForexClear Contract(s) pursuant to paragraph (iv)(B) above, in respect of each Client Account, FCM Client Sub-Account or Proprietary Account to which each such FCM ForexClear Contract is to be registered. If adequate Margin is not so provided in respect of each Client Account, FCM Client Sub-Account or Proprietary Account, as applicable, the Clearing House may in its sole discretion reject the transfer of the given FCM ForexClear Contract(s), and may take any other actions permitted under the FCM Rulebook.

(vi) In order to meet the obligations of an FCM Clearing Member set out under paragraph (v) above, the Clearing House will solely look to the FCM Buffer held by the relevant FCM Clearing Member and such FCM Buffer shall only be available to margin an Unallocated FCM ForexClear Transaction or FCM ForexClear Contract, as applicable, to the extent that it is Available FCM Buffer. For such time as any Available FCM Buffer is, and remains, applied to margin an Unallocated FCM ForexClear Transaction or relevant FCM

ForexClear Contract, as applicable, such FCM Buffer shall no longer be Available FCM Buffer and shall be Encumbered Buffer.

(vii) Where an Unallocated FCM ForexClear Contract has been registered to an FCM ForexClear Suspension Sub-Account and is not allocated by the relevant Pre-Allocation Executing Party, or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation FCM Clearing Member may submit a request to the Clearing House, in such form and manner as determined by the Clearing House in its sole discretion, requesting the transfer of the relevant Unallocated FCM ForexClear Contract to that FCM Clearing Member's Proprietary Account. The processing of a request submitted under this paragraph (vii) may take the Clearing House up to five (5) Business Days. An FCM Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with Applicable Law and the FCM Clearing Member's contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).

(viii) Where applicable, an FCM Clearing Member may request that all FCM ForexClear Contracts entered into in respect of a given FCM ForexClear Suspension Sub-Account be considered for compression by the Clearing House in accordance with the FCM Procedures.

(ix) Each Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member must comply with all Applicable Law, and shall be responsible for ensuring that Pre-Allocation Executing Parties clearing through it are in compliance with CFTC Regulation 1.35(b)(5), where applicable.

## REGULATION 50 CANCELLATION OF FCM FOREXCLEAR CONTRACTS

(a) An FCM Clearing Member may, in accordance with this FCM Regulation 50 and the FCM Procedures, cancel an FCM ForexClear Contract to which it is a party.

(b) The Clearing House shall have no obligation to inform, notify or seek the consent of any FCM Clearing Member (or Non-FCM Clearing Member) prior to cancelling an FCM ForexClear Contract in accordance with this FCM Regulation 50.

(c) The cancellation of an FCM ForexClear Contract to which an FCM Clearing Member is a party (referred to in this FCM Regulation 50 as the "**First ForexClear Contract**") is contingent upon, *inter alia*, the cancellation of the corresponding FCM ForexClear Contract (or Non-FCM ForexClear Contract, if applicable) that arose from the same underlying FCM ForexClear Transaction (referred to in this FCM Regulation 50 as the "**Second ForexClear Contract**"), and vice versa.

(d) The date and time of the cancellation of an FCM ForexClear Contract shall be as reported by the Clearing House in accordance with the FCM Procedures and shall be binding on FCM Clearing Members (and Non-FCM Clearing Members, as applicable).

(e) The Clearing House may decline to cancel an FCM ForexClear Contract if:

(i) in the opinion of the Clearing House acting in its sole discretion, the cancellation of that FCM ForexClear Contract is not consistent with the FCM Rulebook (and if applicable the UK General Regulations) and any policies of the clearing house concerning risk management; or

(ii) there is insufficient margin standing to the credit of an FCM Clearing Member's account to accommodate the cancellation of the First ForexClear Contract and/or the Second ForexClear Contract.

(f) With effect from the time of the cancellation of an FCM ForexClear Contract in accordance with this FCM Regulation 50, neither the FCM Clearing Member nor the Clearing House shall have any obligations under the terms of that FCM ForexClear Contract and liability in respect thereof.

**REGULATION 51 [RESERVED.]**

## CHAPTER XIV - FCM LISTED INTEREST RATES REGULATIONS

### REGULATION 52 REGISTRATION OF FCM LISTED INTEREST RATES CONTRACTS

(a) In order to utilize the FCM Listed Interest Rates Clearing Services, an FCM Listed Interest Rates Clearing Member must cause particulars of each relevant Rates Exchange Match and each relevant FCM Listed Interest Rates Novation Transaction to be presented for registration as an FCM Listed Interest Rates Contract, through such means as shall be prescribed by the FCM Procedures.

(b) An FCM Listed Interest Rates Clearing Member shall not allow the presentation for registration of a match which is not a Rates Exchange Match or a transaction which is not an FCM Listed Interest Rates Novation Transaction in connection with the FCM Listed Interest Rates Clearing Service.

(c) The Clearing House may decline to register an FCM Listed Interest Rates Contract in the name of an FCM Listed Interest Rates Clearing Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any FCM Listed Interest Rates Contract subject to any conditions stipulated by the Clearing House including the furnishing of Margin by the FCM Listed Interest Rates Clearing Member(s) in whose name any such FCM Listed Interest Rates Contract is to be registered.

(d) The Clearing House shall register an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction in the name of an FCM Listed Interest Rates Clearing Member at the Registration Time for that type of FCM Listed Interest Rates Contract in accordance with FCM Regulation 53 or FCM Regulation 54, as applicable, provided that, in the case of an FCM Listed Interest Rates Contract registered by the Clearing House pursuant to Rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 52 will take effect.

Without prejudice to the Clearing House's rights under paragraph (g) an FCM Listed Interest Rates Clearing Member shall be bound by an FCM Listed Interest Rates Contract registered in its name pursuant to the presentation of particulars of a Rates Exchange Match or of an FCM Listed Interest Rates Novation Transaction.

(e) Without prejudice to the Clearing House's rights under paragraph (f), a Rates Exchange Match or FCM Listed Interest Rates Novation Transaction presented for registration must meet the eligibility criteria prescribed in the FCM Procedures (and these FCM Regulations) at the time such particulars are presented to the Clearing House and must continue to meet such criteria at all times thereafter up to and including the Registration Time in order to be registered as two FCM Listed Interest Rates Contracts (or, if applicable, one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract). An FCM Listed Interest Rates Clearing Member may not revoke, cancel or transfer a Rates Exchange Match or an FCM Listed Interest Rates Novation Transaction unless permitted by the FCM Rulebook and FCM Procedures or with the consent of the Clearing House.

(f) If at any time after registration of an FCM Listed Interest Rates Contract the Clearing House determines that the corresponding Rates Exchange Match or FCM Listed Interest Rates Novation Transaction of which particulars were presented for registration did not, at the Registration Time, meet the eligibility criteria for registration as an FCM Listed Interest Rates Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such FCM Listed Interest Rates Contract. Upon the purported FCM Listed Interest Rates Contract being set aside under this paragraph (f), the particulars in question shall be deemed never to have been registered. Any payment made under, or in respect of, an FCM Listed Interest Rates Contract set aside under this paragraph shall be repayable to the person who made the payment. Without prejudice to FCM Regulation 44 and its obligations under this paragraph (f), the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match or FCM Listed Interest Rates Novation Transaction which did not meet the eligibility criteria at the Registration Time to enable it to be registered as an FCM Listed Interest Rates Contract.

## REGULATION 53 FCM LISTED INTEREST RATES OPEN OFFER FOR RATES EXCHANGE MATCHES

(a) This FCM Regulation 53 applies to Rates Exchange Matches arising pursuant to Rates Exchange Particulars submitted by or on behalf of an FCM Listed Interest Rates Clearing Member. In the event of any inconsistency between the FCM Rulebook and any relevant Rates Exchange Rules, the FCM Rulebook shall prevail.

(b) If an FCM Listed Interest Rates Clearing Member has been given approval by the Clearing House to clear eligible Rates Exchange Matches in respect of the Rates Exchange specified in such approval and such approval has not been withdrawn by the Clearing House, the Clearing House will enter into FCM Listed Interest Rates Contracts with that FCM Listed Interest Rates Clearing Member pursuant to such approval in accordance with and subject to the provisions of the FCM Rulebook. The terms of a registered FCM Listed Interest Rates Contract shall be as received by the Clearing House, or its relevant approved agent, from the relevant Rates Exchange or the relevant FCM Listed Interest Rates Clearing Member, as applicable, and otherwise subject to the FCM Regulations and the FCM Procedures (and the Clearing House and the FCM Listed Interest Rates Clearing Member party to the registered FCM Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms, the FCM Regulations and the FCM Procedures).

(c) The Clearing House makes an open offer to a FCM Listed Interest Rates Clearing Member to enter into an FCM Listed Interest Rates Contract in respect of a Rates Exchange Match in accordance with paragraph (e), pursuant to the submission of Rates Exchange Particulars by or on behalf of such FCM Listed Interest Rates Clearing Member provided that the following requirements ("**FCM Listed Interest Rates Open Offer Eligibility Criteria**") shall have been satisfied:

(i) at the relevant times the FCM Listed Interest Rates Clearing Member was party to a valid and subsisting FCM Clearing Membership Agreement;

(ii) at the relevant times and up to and including the time at which the Clearing House or its relevant approved agent receives the details referred to under sub-paragraph (iv) of this paragraph (c), the FCM Listed Interest Rates Clearing Member is not a Defaulter;

(iii) the product the subject of the Rates Exchange Match is an FCM Listed Interest Rate Eligible Product;

(iv) all necessary details as required by the Clearing House from time to time in respect of the Rates Exchange Match shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;

(v) the FCM Listed Interest Rate Eligible Product, which is the subject of the Rates Exchange Match, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;

(vi) at the relevant times, the FCM Listed Interest Rates Clearing Service, or any relevant part of the FCM Listed Interest Rates Open Offer in respect of Rates Exchange Match, has not been suspended or withdrawn; and

(vii) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the FCM Listed Interest Rates Clearing Service.

(d) For the avoidance of doubt, Rates Exchange Particulars are deemed to have been presented by or on behalf of the FCM Listed Interest Rates Clearing Member if the details of the Rates Exchange Match received by the Clearing House identify, in accordance with any relevant Rates Exchange Rules, the FCM Regulations or the FCM Procedures, the Rates Exchange Match as having been made by or on behalf of that FCM Listed Interest Rates Clearing Member.

(e) If Rates Exchange Particulars have been submitted to the relevant Rates Exchange by or on behalf of an FCM Listed Interest Rates Clearing Member, as seller (the "**selling FCM Listed Interest Rates Clearing Member**") or buyer (the "**buying FCM Listed Interest Rates Clearing Member**"), and have been matched by, or in accordance with, the Rates Exchange Rules with Rates Exchange Particulars submitted to such Rates Exchange by or on behalf of another FCM Listed Interest Rates Clearing Member or Listed Interest Rates Clearing Member, as buyer (the "**buying FCM Listed Interest Rates Clearing Member**" or "**buying Listed Interest Rates Clearing Member**", respectively) or seller (the "**selling FCM Listed Interest Rates Clearing Member**" or "**selling Listed Interest Rates Clearing Member**", respectively), and the resulting Rates Exchange Match has been presented to the Clearing House for registration, then, subject to satisfaction of the FCM Listed Interest Rates Open Offer Eligibility Criteria and to the FCM Regulations and the FCM Procedures, the Clearing House shall automatically and immediately register either two FCM Listed Interest Rates Contracts, or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract, as follows:

(i) the Clearing House shall be the buyer under, as relevant: (A) an FCM Listed Interest Rates Contract to a selling FCM Listed Interest Rates Clearing Member; or (B) a Non-FCM Listed Interest Rates Contract to a selling Listed Interest Rates Clearing Member; and

(ii) the Clearing House shall be the seller under, as relevant: (A) an FCM Listed Interest Rates Contract to a buying FCM Listed Interest Rates Clearing Member; or (B) a Non-FCM Listed Interest Rates Contract to a buying Listed Interest Rates Clearing Member.

(f) FCM Listed Interest Rates Contracts shall be on the terms received by the Clearing House pursuant to paragraph (c)(iv) and otherwise on the relevant FCM Listed Interest Rates Contract Terms and any other terms specified in these FCM Regulations and the FCM Procedures. The Clearing House and the FCM Listed Interest Rates Clearing Member party to an FCM Listed Interest Rates Contract shall be obliged to perform their obligations thereunder in accordance with such terms.

(g) If the details required by the Clearing House pursuant to paragraph (c)(iv) are not provided to the Clearing House in accordance with the Clearing House's

requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may in its sole discretion either:

(i) not register any FCM Listed Interest Rates Contract and Non-FCM Listed Interest Rates Contract; or

(ii) register two FCM Listed Interest Rates Contracts, or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract, on terms the Clearing House determines and such terms shall be binding on the relevant FCM Listed Interest Rates Clearing Members or FCM Listed Interest Rates Clearing Member and Listed Interest Rates Clearing Member (as applicable).

(h) Without prejudice to FCM Regulation 44, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall not be liable to any FCM Listed Interest Rates Clearing Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any FCM Listed Interest Rates Contract or any determination made by the Clearing House under paragraph (g), if the Clearing House does not receive the relevant details referred to in paragraph (c)(iv) by the time referred to in such paragraph (c)(iv).

(i) Subject to its rights to suspend the FCM Listed Interest Rates Open Offer and/or the FCM Listed Interest Rates Clearing Service generally or in respect of one or more Rates Exchanges or to withdraw the FCM Listed Interest Rates Clearing Service in whole or in part, as set out in these FCM Regulations or the FCM Procedures, the Clearing House undertakes to keep open the offer made by it in this FCM Regulation 53 until such FCM Listed Interest Rates Clearing Member is no longer eligible to have FCM Listed Interest Rates Contracts registered in its name or has withdrawn from trading through each Rates Exchange notified to the Clearing House under paragraph (b). Any such intended withdrawal from trading through an Rates Exchange must be notified to the Clearing House in accordance with the applicable provisions of FCM Regulation 5.

(j) Notwithstanding any other provision in this FCM Regulation 53, the Clearing House may, with the agreement of the FCM Listed Interest Rates Clearing Member(s) party to corresponding FCM Listed Interest Rates Contracts, set aside or take such other steps with respect to such contracts on such terms as may be agreed if either or both FCM Listed Interest Rates Clearing Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them, or on their behalf, in error.

## REGULATION 54 FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

(a) Details of any FCM Listed Interest Rates Novation Transaction which is to be presented for registration must be presented in accordance with the FCM Procedures by or on behalf of the FCM Listed Interest Rates Clearing Member who is party to, or is providing clearing services to a party to, such FCM Listed Interest Rates Novation Transaction. For the avoidance of doubt, where the particulars of an FCM Listed Interest Rates Novation Transaction presented by or on behalf of an FCM Listed Interest Rates Clearing Member and received by the Clearing House identify, in accordance with the relevant Rates Exchange Rules or the FCM Procedures, that FCM Listed Interest Rates Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the FCM Listed Interest Rates Novation Transaction, the Clearing House will enter into an FCM Listed Interest Rates Contract with that FCM Listed Interest Rates Clearing Member in accordance with and subject to the provisions of the FCM Regulations and the FCM Procedures.

(b) Without prejudice to the Clearing House's rights under FCM Regulation 52(f), the Clearing House shall register or reject the registration of an FCM Listed Interest Rates Novation Transaction presented for registration by or on behalf of an FCM Listed Interest Rates Clearing Member subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where a condition of such registration is that the following requirements ("**FCM Listed Interest Rates Novation Transaction Eligibility Criteria**") are satisfied at the time when the particulars of such FCM Listed Interest Rates Novation Transaction are presented to the Clearing House and continue to be satisfied at all times thereafter up to and including the Registration Time (each such time, for the purposes of this FCM Regulation 54, the "**relevant times**"):

(i) the product the subject of the FCM Listed Interest Rates Novation Transaction is, at the relevant times, an FCM Listed Interest Rate Eligible Product;

(ii) all necessary details as required by the Clearing House from time to time in respect of the FCM Listed Interest Rates Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;

(iii) the FCM Listed Interest Rates Clearing Eligible Product, which is the subject of the FCM Listed Interest Rates Novation Transaction, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;

(iv) at the relevant times, the FCM Listed Interest Rates Clearing Services for the relevant Rates Exchange has not been suspended or withdrawn, generally or in relation to the relevant FCM Listed Interest Rates Clearing Eligible Product or FCM Listed Interest Rates Member; and

(v) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time to time in connection with the FCM Listed Interest Rates Clearing Service.

(c) An FCM Listed Interest Rates Novation Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as either two FCM Listed Interest Rates Contracts or as one Non-FCM Listed Interest Rates Contract and one FCM Listed Interest Rates Contract, one between the First Listed Interest Rates Clearing Member as the seller and the Clearing House as the buyer, and the other between the Clearing House as the seller and the Second Listed Interest Rates Clearing Member as the buyer (as the case may be). For the purposes of this paragraph (c):

(i) "**First Listed Interest Rates Clearing Member**" is an FCM Listed Interest Rates Clearing Member or a Listed Interest Rates Clearing Member who was, before registration of the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, party to the corresponding FCM Listed Interest Rates Novation Transaction or Listed Interest Rates Novation Transaction, respectively, as the seller; and

(ii) "**Second Listed Interest Rates Clearing Member**" is an FCM Listed Interest Rates Clearing Member (who may also be the same as the First FCM Listed Interest Rates Clearing Member) or Listed Interest Rates Clearing Member who was, before registration of the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, party to the corresponding FCM Listed Interest Rates Novation Transaction or Listed Interest Rates Novation Transaction, respectively, as the buyer.

(d) With effect from registration of an FCM Listed Interest Rates Novation Transaction as either two FCM Listed Interest Rates Contracts or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract, as the case may be, under paragraph (c):

(i) the parties to the corresponding FCM Listed Interest Rates Novation Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;

(ii) each FCM Listed Interest Rates Contract registered under paragraph (c) shall be governed by the relevant FCM Listed Interest Rates Contract Terms applicable to that FCM Listed Interest Rates Contract;

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

(iv) subject always to sub-paragraph (ii) above, the Second Listed Interest Rates Clearing Member shall have the same rights against, and owe the same obligations to the Clearing House under the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, to

which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM Listed Interest Rates Novation Transaction.

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

(e) Every FCM Listed Interest Rates Novation Transaction presented for registration in the name of an FCM Listed Interest Rates Clearing Member in accordance with paragraph (c) above shall be confirmed by or on behalf of such FCM Listed Interest Rates Clearing Member, in such manner and form and by such times as are prescribed by the FCM Procedures or, where the Clearing House has so agreed with a Rates Exchange, as prescribed in the Rates Exchange Rules.

(f) Notwithstanding paragraph (e) above, an FCM Listed Interest Rates Novation Transaction may, subject to the FCM Regulations and the FCM Procedures, be allocated by or on behalf of an FCM Listed Interest Rates Clearing Member to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, and shall thus be confirmed pursuant to FCM Regulation 55(a) instead of paragraph (e) above.

(g) If an FCM Listed Interest Rates Novation Transaction is not confirmed by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to paragraph (e) above, or is not allocated by or on behalf of such FCM Listed Interest Rates Clearing Member within the prescribed time pursuant to FCM Regulation 55, the Clearing House may in accordance with the FCM Procedures deem such contract as having been confirmed pursuant to paragraph (e) above.

(h) Any changes to the prescribed methods, forms and times set out in the FCM Procedures in respect of presentation of particulars of FCM Listed Interest Rates Novation Transactions and confirmation of such FCM Listed Interest Rates Novation Transactions shall be made by the Clearing House only after consultation with the relevant Rates Exchange(s), save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.

(i) Confirmation of an FCM Listed Interest Rates Novation Transaction by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to this FCM Regulation or FCM Regulation 55 and the FCM Procedures shall be effective immediately (unless otherwise specified in the FCM Procedures) and shall constitute the consent of the FCM Listed Interest Rates Clearing Member to such contract being registered in his name in accordance with these FCM Regulations.

(j) If an FCM Listed Interest Rates Novation Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by

the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM Listed Interest Rates Contract, unless otherwise determined by the Clearing House.

(k) For the avoidance of doubt, any FCM Listed Interest Rates Novation Transaction of which details have been presented for registration as an FCM Listed Interest Rates Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Rates Exchange through or on which the transaction was executed or by which it was registered), but subject in all cases to the relevant Rates Exchange Rules, and the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.

## REGULATION 55 ALLOCATION OF FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

(a) Any FCM Listed Interest Rates Clearing Member proposing to allocate an FCM Listed Interest Rates Novation Transaction to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member shall do so in such manner and form and by such time as may be prescribed by the FCM Procedures. Allocation of an FCM Listed Interest Rates Novation Transaction by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to the FCM Procedures shall constitute confirmation of the FCM Listed Interest Rates Novation Transaction by such FCM Listed Interest Rates Clearing Member.

(b) Unless it is intended that an FCM Listed Interest Rates Novation Transaction be allocated in accordance with the FCM Procedures to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, any FCM Listed Interest Rates Novation Transaction allocated to an FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member shall be confirmed or, where the FCM Procedures so prescribe, shall be deemed to have been confirmed to the Clearing House by or on behalf of such FCM Listed Interest Rates Clearing Member or, as the case may be, the FCM Listed Interest Rates Clearing Member who acts as the clearing member for such member of the Rates Exchange, in such manner and form and by such time as may be prescribed by the FCM Procedures. If such FCM Listed Interest Rates Novation Transaction is allocated on by or on behalf of such FCM Listed Interest Rates Clearing Member to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, such act of allocation shall constitute confirmation of the FCM Listed Interest Rates Novation Transaction by such FCM Listed Interest Rates Clearing Member.

(c) Where an FCM Listed Interest Rates Novation Transaction is allocated to an FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member pursuant to paragraph (a) or (b) above and the Clearing House does not receive confirmation of such FCM Listed Interest Rates Novation Transaction from that FCM Listed Interest Rates Clearing Member or the FCM Listed Interest Rates Clearing Member acting as clearing member for such member, as the case may be, within the relevant time prescribed by the FCM Procedures, the Clearing House shall, subject to FCM Regulation 52, register an FCM Listed Interest Rates Contract in the name of the FCM Listed Interest Rates Clearing Member who sought to allocate the FCM Listed Interest Rates Novation Transaction.

(d) Notwithstanding paragraph (c) above, an FCM Listed Interest Rates Clearing Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any FCM Listed Interest Rates Novation Transaction allocated to him in accordance with paragraphs (a) or (b) above and such FCM Listed Interest Rates Clearing Member shall be deemed to have confirmed such FCM Listed Interest Rates Novation Transaction in accordance with the FCM Procedures.

(e) Notwithstanding the provisions of the FCM Procedures, the Clearing House may, without assigning any reason, make any allocation of an FCM Listed Interest Rates Novation Transaction subject to any conditions stipulated by it.

## REGULATION 56 DAILY SETTLEMENT TO MARKET

(a) The Clearing House shall, in accordance with the FCM Procedures, in respect of each open FCM Listed Interest Rates Contract in an FCM Listed Interest Rates Clearing Member's name, effect and register a settlement contract, being a contract on the same terms (except as to price or premium), including the strike price, where applicable, as the open FCM Contract, save that where the FCM Listed Interest Rates Clearing Member is a buyer under the terms of the open FCM Contract, the FCM Listed Interest Rates Clearing Member shall be a seller under the terms of the settlement contract and vice-versa, such settlement contract to be effected in accordance with the FCM Procedures at the relevant Official Quotation or Reference Price for that day. The Clearing House shall thereupon settle each Open FCM Contract against the respective settlement contract in accordance with the FCM Procedures.

(b) The Clearing House shall, upon completion of the process set out in paragraph (a), calculate the daily settlement amounts in accordance with the FCM Procedures and shall thereafter debit or credit (as the case may be) the FCM Listed Interest Rates Clearing Member's account and upon the Clearing House so doing, the FCM Listed Interest Rates Clearing Member and the Clearing House shall (unless otherwise agreed) settle any daily settlement amounts arising as follows:

(i) any profit arising to an FCM Listed Interest Rates Clearing Member shall: (A) be credited to the applicable account and (B) subject to the Clearing House's right to retain such profit pursuant to these FCM Regulations, be paid to the Member on the Member's request; and

(ii) any loss arising to an FCM Listed Interest Rates Clearing Member shall be debited from the applicable account of the Member to the extent that there is an available balance in such account and, in accordance with these FCM Regulations, the Member shall pay the amount of any shortfall in respect of such loss to the Clearing House forthwith on demand.

(c) The Clearing House shall, upon completion of the calculation of daily settlement amounts pursuant to paragraph (b) above, in the manner prescribed by the FCM Procedures, in respect of those open FCM Contracts in an FCM Listed Interest Rates Clearing Member's name which have been settled pursuant to paragraph (a) above, register at the Official Quotation or Reference Price referred to in paragraph (a) above, contracts in the Member's name as Open FCM Contracts on the same terms (except as to price or premium), including the strike price, where applicable, as the settled Open FCM Contracts, save that no contract for the purchase and no contract for the sale of the same commodity or other reference asset, for the same delivery month, or expiry month and strike price, where applicable, shall be registered in the Member's name.

## REGULATION 57 TERMINATION OF FUNGIBLE FCM LISTED INTEREST RATES CONTRACTS

(a) The Clearing House may from time to time designate a Rates Exchange in respect of one or more FCM Listed Interest Rates Eligible Products for purposes of these FCM Regulations (such Rates Exchange, a "**Designated Rates Exchange**"). A Rates Exchange seeking designation as a Designated Rates Exchange must submit a written request to the Clearing House in the form and manner required by the Clearing House. Such designation, once made effective by the Clearing House, shall remain in effect until such time as the Clearing House agrees, in its sole and absolute discretion, to terminate, modify, or suspend such designation.

(b) The Clearing House may from time to time determine that FCM Listed Interest Rates Eligible Products listed for trading on two or more Designated Rates Exchanges have substantially the same economic terms. Such determination may be made where the Clearing House Risk Committee considers, in its sole discretion and in accordance with applicable risk governance requirements, that such FCM Listed Interest Rates Eligible Products have substantially the same fundamental economic attributes. Following such determination, the Clearing House shall designate each FCM Listed Interest Rates Contract registered in respect of such FCM Listed Interest Rates Eligible Products as a "**Designated FCM Listed Interest Rates Contract**".

(c) Notwithstanding any other provision of these FCM Regulations, where:

(i) two or more Designated FCM Listed Interest Rates Contracts are registered for the account of an FCM Listed Interest Rates Clearing Member; and

(ii) all such FCM Listed Interest Rates Contracts are registered in the FCM Listed Interest Rates Clearing Member's FCM Omnibus Listed Interest Rates Client Account with LCH on behalf of the same FCM Client (other than an FCM Client which is a customer omnibus account of another futures commission merchant);

then the Clearing House shall compress and combine all such Designated FCM Listed Interest Rates Contracts by terminating the relevant existing Designated FCM Listed Interest Rates Contracts and compressing them into one Designated FCM Listed Interest Rates Contract reflecting the aggregate economic terms, or the net economic terms, as the case may be, of such original Designated FCM Listed Interest Rates Contracts. For the avoidance of doubt, in no circumstances can a Designated FCM Listed Interest Rates Contract registered in the Proprietary Account of an FCM Listed Interest Rates Clearing Member be compressed pursuant to this FCM Regulation 57 with a Designated FCM Listed Interest Rates Contract registered in the FCM Omnibus Listed Interest Rates Client Account with LCH of such FCM Listed Interest Rates Clearing Member.

## REGULATION 58 LIMITATION ON LIABILITY

Without prejudice to the generality of FCM Regulation 44 or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, any liability of the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) to a Member or to any other person (including, without limitation, any FCM Client which might otherwise arise in connection with the FCM Listed Interest Rates Clearing Service) shall, if and to the extent such liability arises out of any act or omission of any third party upon whom the Clearing House is reliant in any material respect in its provision of the FCM Listed Interest Rates Clearing Service (including, without limitation, a Rates Exchange or any provider of transaction routing functionality), be limited to such amounts as the Clearing House is entitled to recover and is successful in recovering from that third party in respect of that party's acts and/or omissions.

## REGULATION 59 DELIVERY FAILURE

(a) Without prejudice to the Default Rules and the FCM Procedures, if an FCM Listed Interest Rates Clearing Member as seller fails to deliver securities or other instruments to the Clearing House under an FCM Listed Interest Rates Contract by the due time therefor, the Clearing House may issue directions, in accordance with the FCM Procedures, to the seller and to an FCM Listed Interest Rates Clearing Member or Listed Interest Rates Clearing Member as buyer under a corresponding FCM Listed Interest Rates Contract or Listed Interest Rates Contract, respectively, regarding the performance of such contracts and such directions shall be binding on such members.

(b) The Clearing House shall be entitled to demand Collateral from an FCM Listed Interest Rates Clearing Member where it has failed to deliver instrument or pay the Price under an FCM Listed Interest Rates Contract by the due time therefor in such amounts and in such form as it may require in accordance with the FCM Procedures.

(c) An FCM Listed Interest Rates Clearing Member who has failed to deliver securities or other instruments to the Clearing House under an FCM Listed Interest Rates Contract or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under this FCM Regulation 59.

(d) Without prejudice to the Default Rules, if a selling FCM Listed Interest Rates Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under FCM Listed Interest Rates Contracts (other than in circumstances where FCM Regulation 29 and/or FCM Regulation 30 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the FCM Listed Interest Rates Clearing Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the FCM Listed Interest Rate Clearing Member's ability to have FCM Listed Interest Rates Contracts registered in his name and to require him to liquidate or transfer under FCM Regulation 13 open FCM Listed Interest Rates Contracts registered in his name.

## REGULATION 60 SUSPENSION OF THE FCM LISTED INTEREST RATES CLEARING SERVICE OR THE FCM LISTED INTEREST RATES OPEN OFFER

The Clearing House may, from time to time, in its absolute discretion suspend the FCM Listed Interest Rates Clearing Service and/or the FCM Listed Interest Rates Open Offer in respect of Rates Exchange Matches and/or its service in respect of any FCM Listed Interest Rates Novation Transactions on one or more Rates Exchanges for such period of time as it may determine.

## REGULATION 61 REJECTION OF RATES EXCHANGE MATCHES AND OF FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

(a) Any Rates Exchange Match, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an FCM Listed Interest Rates Contract, which does not meet the relevant FCM Listed Interest Rates Open Offer Eligibility Criteria, or which the Clearing House declines to register under any other provision of these FCM Regulations or FCM Procedures, will, subject to paragraph (c), be rejected by the Clearing House and no FCM Listed Interest Rates Contracts shall be deemed to have arisen. If the Clearing House rejects a Rates Exchange Match, the presenting FCM Clearing Members and the relevant Rates Exchange will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of FCM Regulation 44, or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any FCM Listed Interest Rates Clearing Member or any other person with regard to the rejection by it of any such Rates Exchange Match.

(b) Any FCM Listed Interest Rates Novation Transaction, particulars of which are presented to the Clearing House, or its relevant approved agent, for registration by the Clearing House as an FCM Listed Interest Rates Contract, which does not meet the FCM Listed Interest Rates Novation Transaction Eligibility Criteria, or which the Clearing House declines to register under any other provision of these FCM Regulations of the FCM Procedures, will, subject to paragraph (c), be rejected by the Clearing House and no FCM Listed Interest Rates Contracts shall be deemed to have arisen. If the Clearing House rejects an FCM Listed Interest Rates Novation Transaction, the presenting FCM Clearing Members and the relevant Rates Exchange will be notified of the rejection within the required timeframe under all Applicable Law. Without prejudice to the generality of FCM Regulation 44, or any other provision of the FCM Regulations or FCM Procedures concerning liability of the Clearing House, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no liability whatsoever to any FCM Listed Interest Rates Clearing Member or any other person with regard to the rejection by it of any such FCM Listed Interest Rates Novation Transaction.

(c) The Clearing House may, in its absolute discretion, agree to register an FCM Listed Interest Rates Contract, notwithstanding that it does not meet the relevant FCM Listed Interest Rates Open Offer Eligibility Criteria or FCM Listed Interest Rates Novation Transaction Eligibility Criteria, or it contains invalid or incomplete message data, in accordance with provisions prescribed by the Clearing House from time to time in the FCM Procedures.