



**LCH LIMITED**

**PROCEDURES SECTION 4**

**MARGIN AND COLLATERAL**

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## 1. Collateral

### 1.1 GENERAL INFORMATION

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as Collateral and to determine when collateral will cease to be acceptable as Collateral.

If any cash, instrument or security, lodged in accordance with any of the following Procedures, is in any way found to be unacceptable, it will immediately be given a zero value for the purposes of calculating the value of the Clearing Member Current Collateral Balance (the "**Current Collateral Value**").

#### 1.1.1 Instructions

The Clearing House accepts instructions to lodge, release and transfer cash, securities and triparty Collateral via its online CMS and/or any other operational process the Clearing House determines.

If there is an outage of the CMS, a Clearing Member may send certain instructions using the appropriate form in the Schedules of these Procedures, by fax and email to:

Email to: [collateral.ops.uk@lch.com](mailto:collateral.ops.uk@lch.com)

Fax: +44 (0)20 7375 3518

Collateral Operations can be contacted on +44 (0)20 7426 7593.

The Clearing House is entitled to act upon instructions or communications appearing to have been issued by or on behalf of, or to have come from, a Clearing Member. These will be accepted by the Clearing House as genuine even if, for example, they are later found:

- (a) to be inaccurate, whether in whole or in part; or
- (b) not to have been given by the Clearing Member or with the authority of the Clearing Member.

The Clearing House will only accept delivery of non-cash Collateral from a Clearing Member in accordance with these Procedures and will not sell or purchase cash or non-cash Collateral for Clearing Members, except in so far as it is acting under its Default Rules and related Regulations or in relation to Exchange Rules.

The Clearing House reserves the right to require a Clearing Member to execute revised versions of the Deed of Charge and Client Consent documentation whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

The Clearing House reserves the right to change the information required on instructions received via the CMS whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

### 1.1.2 *Excess Collateral*

The Clearing House shall, at least once on each business day, notify each Clearing Member of the Required Margin Amount and the Total Required Margin Amount.

If a Clearing Member's Current Collateral Value exceeds the sum of that Clearing Member's Total Required Margin Amount and any other amounts which the Clearing Member is required to transfer to the Clearing House under Applicable Law (such excess, "**excess collateral value**"), then that Clearing Member may, in accordance with Sections 1.3 and 1.4 of these Procedures, Section 1.3.1(f) of Section 3 of the Procedures (*Financial Transactions*) and/or any other operational process the Clearing House determines, request that some or all of the Collateral comprising its Clearing Member Current Collateral Balance (other than any Client Collateral) having a value not exceeding the excess collateral value (such Collateral being referred to in these Procedures as "**excess collateral**") be returned or repaid by the Clearing House to, or to the order of, that Clearing Member. For the avoidance of doubt, for the purposes of determining whether there is an excess collateral value (for the purposes of this Section 1.1.2) at the time of the Clearing Member's request, the Clearing Member's Total Required Margin Amount shall not include the amounts of any margin requirements from the Clearing Member to the Clearing House (whether or not demanded of the Clearing Member) in respect of which the time for performance has not occurred at the time of such request.

In the event that the Clearing House expressly notifies the Clearing Member of a positive excess collateral value and that the Clearing House intends to levy a charge in respect of the excess collateral with effect from a date notified in that notification, and the Clearing Member does not take all reasonable steps to eliminate the positive excess collateral value before the date so notified, the Clearing House may, in its discretion, but only from the date so notified, charge the Clearing Member in respect of the excess collateral at the rate of 1 basis point per day until the excess collateral is eliminated. Payment of this charge shall be collected on a monthly basis through that Clearing Member's PPS sterling account.

If the Clearing House has received a request to return excess collateral, the Clearing House shall promptly take such steps as are necessary to transfer the amount of excess collateral specified in that request to or to the order of the relevant Clearing Member in respect of each account held by the Clearing Member with the Clearing House, provided that:

- (a) the Clearing House shall only be obliged to take such steps with respect to any Collateral pursuant to this Section 1.1.2:
  - (i) to the extent that it constitutes excess collateral;
  - (ii) if the Clearing Member is not a Defaulter;

- (iii) to the extent the Clearing House is permitted to take such steps and make such transfer under Applicable Law and the contractual provisions of any relevant Depository;
  - (iv) if the Clearing House considers it is not necessary or desirable to retain such Collateral in order to effect (or seek to effect) a transfer of Contracts and Collateral from an account of a Clearing Member to another account of a Clearing Member or FCM Clearing Member in accordance with the Rulebook, the FCM Regulations, the FCM Procedures and/or any relevant Collateral Management Agreement;
  - (v) if there is no overnight margin and/or cash call (including an EOD Margin Run call) in respect of the relevant Clearing Member which remains outstanding; and
  - (vi) to the extent the restriction under Section 1.1.8 does not apply to the excess collateral to be returned to the relevant Clearing Member.
- (b) where the Clearing Member has requested that non-cash Collateral of a particular type in respect of an account be transferred, the Clearing House shall transfer such non-cash Collateral unless it determines, acting in a commercially reasonable manner, that transferring such non-cash Collateral would result in the Clearing House being unable to satisfy its policies on concentration limits in respect of the various types of non-cash Collateral held by it from time to time ("**Concentration Limits**"), in which case the Clearing House shall notify the Clearing Member thereof and shall not be obliged to transfer the requested non-cash Collateral; and
- (c) where the Clearing Member has requested that cash Collateral of a particular currency in respect of an account be transferred, the Clearing House shall transfer such cash Collateral unless it determines, acting in a commercially reasonable manner, that transferring such cash Collateral would result in the account not satisfying the Clearing House's requirement for a minimum amount of cash Collateral in a particular currency to be held in, or attributed to, such account ("**Cash Requirement**"), in which case the Clearing House shall notify the Clearing Member thereof and shall not be obliged to transfer the requested cash Collateral.

#### 1.1.3 *Substitution of non-cash Collateral*

At any time, a Clearing Member may notify the Clearing House in accordance with Sections 1.3 and 1.4 of these Procedures that it wishes to substitute any non-cash Collateral in respect of an account which is subject to a Deed of Charge (the "**Original Collateral**") with replacement Collateral in respect of such account having a value not less than the Original Collateral (the "**New Collateral**") (such request being a "**Substitution Request**").

If the Clearing House has received a Substitution Request, it shall, subject to Section 1.1.8 and promptly following the Clearing House being satisfied that the New Collateral has been transferred to the Clearing House in accordance with Section 1.3 and 1.4, take such steps as are necessary to transfer such Original Collateral to or to the order of the Clearing Member in respect of that particular account, provided that, if the Clearing House determines, acting in a commercially reasonable manner, that following such substitution the Clearing House would be unable to satisfy its Concentration Limits, it shall notify the Clearing Member thereof and shall not be obliged to transfer the Original Collateral.

#### 1.1.4 *Lodgement of non-cash Collateral as replacement for cash Collateral*

Clearing Members must give the Clearing House's Collateral Operations no less than two business days' notice of their intention to transfer to the Clearing House non-cash Collateral with a value of £50 million sterling or more, and which is reasonably likely to have the effect that cash Collateral of a similar value is repayable by the Clearing House to that Clearing Member as a result of such transfer. Collateral Operations must be advised no later than 15:30 two business days prior to the transfer. In the event that a Clearing Member requests the return of such cash Collateral without giving such notice, the Clearing House will decline to release such cash Collateral until the end of the required notice period. The Clearing House may extend the required notice period or vary the minimum Collateral value by written notice to Clearing Members.

#### 1.1.5 *Force Majeure*

The Clearing House will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members with regard to Collateral where such failure, hindrance or delay arises from causes beyond the control of the Clearing House, such as (but not limited to) the failure (whether partial or total), interruption or suspension of any Depository that the Clearing House is using, the termination or suspension of the Clearing House's membership or use of any Depository or any variation of a Depository's operational timetable, whether or not occasioned by action of the Depository operator or any other party, any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of any Depository, or any other emergency. This provision is without prejudice to the *force majeure* provisions of Clearing Members' agreements with the Clearing House.

#### 1.1.6 *Regulatory and Supervisory Information*

In every case, the Clearing House will be entitled to supply a Depository with all the information it requires for any purposes relating to a Clearing Member or a Clearing Client, or relating to Collateral received by the Clearing House from a Clearing Member or a Custodial Segregated Client which is, or may at any time have been, held by the depository. Collateral that a Clearing Member or a Custodial Segregated Client provides to the Clearing House and that is subject to a Deed of Charge or Client Charge will be lodged and held with

such Depository as the Clearing House may select or allow, subject to the conditions of such Depository, to any Applicable Law and subordinate rules relating thereto, as well as to the terms of the relevant Deed of Charge, Client Charge, Collateral Management Agreement, charge documentation and these Procedures.

#### 1.1.7 *Coupons*

The Clearing House will record coupons that arise in respect of non-cash Collateral of a Clearing Member, taking into account any withheld tax, ("**Coupons**") to such Clearing Member's relevant Client Account or Proprietary Account and to the non-cover ledger within such account (see Section 1.1.4(a)(i) of Section 3 of the Procedures (*Financial Transactions*)) on the appropriate payment date, and such Coupons will be cash Collateral forming part of the Clearing Member Current Collateral Balance of such Client Account or Proprietary Account.

The Clearing House will promptly on or after the appropriate payment date take such steps as are necessary to transfer Coupons to the relevant Clearing Member (except Coupons which are automatically transferred to such Clearing Member by operation of a triparty transaction), provided that the Clearing House shall only be obliged to take such steps pursuant to this Section 1.1.7:

- (a) to the extent that they constitute excess collateral;
- (b) if the Clearing Member is not a Defaulter;
- (c) to the extent the Clearing House is permitted to take such steps and make such transfer under Applicable Law and the contractual provisions of any relevant Depository;
- (d) if the Clearing House considers it is not necessary or desirable to retain such Coupons in order to effect (or seek to effect) a transfer of Contracts and Collateral from an account of a Clearing Member to another account of a Clearing Member or FCM Clearing Member in accordance with the Rulebook, the FCM Regulations, the FCM Procedures and/or any relevant Collateral Management Agreement; and
- (e) if there is no overnight margin and/or cash call (including an EOD Margin Run call) in respect of the relevant Clearing Member which remains outstanding.

#### 1.1.8 *Record Date*

The Clearing House may restrict the lodgement, release and/or transfer of non-cash Collateral on a record date for the payment of a Coupon applicable to such non-cash Collateral where the Clearing House considers this necessary in order to correctly pay such Coupon to the relevant Clearing Member on the Coupon payment date.

### 1.1.9 *Charges*

The Clearing House will collect any charges incurred as deemed necessary using PPS. Examples of such charges may include a collateral agent's overnight custody charge, transfer charges or any charges relating to the movement of non-cash Collateral. For a list of the Clearing House's custody services fees, please refer to [www.lch.com/members-clients/members/fees-ltd/custody-services](http://www.lch.com/members-clients/members/fees-ltd/custody-services).

### 1.1.10 *Security Deed*

Notwithstanding clause 5.3 of any Security Deed, a Clearing Member shall provide Collateral to the Clearing House, in respect of an Indirect Gross Account, in accordance with, and subject to, the Rulebook.

### 1.1.11 *Authorised CSD - Segregation*

A Clearing Member may request that Securities Collateral which the Clearing House holds in an account with an Authorised CSD for the Clearing Member be subject to either Individual CSD-Level Segregation or Omnibus CSD-Level Segregation (each such request, a “**Segregation Request**”).

The Clearing House will, as soon as reasonably practicable after receipt of a Segregation Request and where the Clearing Member is not a Defaulter, implement such Segregation Request.

Each Clearing Member acknowledges that it has read and understood the disclosure document located on the Clearing House website, which relates to the costs, risks and levels of protection associated with Individual CSD-Level Segregation and Omnibus CSD-Level Segregation.

## 1.2 **DOCUMENTATION**

### 1.2.1 *Deed of Charge*

Clearing Members wishing to transfer non-cash Collateral to the Clearing House must complete and maintain a Deed of Charge. This document establishes a fixed charge over the Clearing Member's interests pursuant to the custody relationship which arises upon specified non-cash Collateral being transferred into an account with the Clearing House by the Clearing Member. The document is required to be executed in accordance with the instructions which accompany it. The Deed of Charge covers, *inter alia*, non-cash Collateral that is transferred to the Clearing House via bilateral settlement or via triparty arrangements. To operate triparty arrangements with the Clearing House, additional documentation must also be executed with the relevant triparty provider.

The Deed of Charge is available from the Clearing House. Where a Clearing Member transfers non-cash Collateral to the Clearing House in respect of a Proprietary Account and a Client Account, it must execute two separate Deeds of Charge.



### 1.2.2 Segregation Rules

Instructions relating to transfers and requests for the return of Collateral must indicate the particular account to which they relate. Any Collateral transferred to the Clearing House in respect of an account will be applied against the Clearing Member's margin liabilities on such account.

Collateral transferred to the Clearing House in respect of a Clearing Member's Client Account will not be applied by the Clearing House to the Clearing Member's liabilities on a Proprietary Account (see Regulation 10(d) (*Accounts*)) or on another Client Account, except in the case of a Cross-ISA Client Excess Deduction or pursuant to Rule 15(a)(ii) of the Default Rules or any Insufficient Resources Determination Rule.

Collateral transferred to the Clearing House in respect of a Clearing Member's Proprietary Account may be applied by the Clearing House towards the payment of any sum whatsoever due by the Clearing Member to the Clearing House, save that, subject to Rule 8(d) of the Default Rules and any Insufficient Resources Determination Rule, no Collateral (other than House Excess and, to the extent not already included in the relevant Clearing Member Current Collateral Balance, Client Buffer) transferred in respect of a Clearing Member's Proprietary Account shall be applied on or towards payment or satisfaction of any of the Clearing Member's liabilities to the Clearing House on any of the Clearing Member's Client Accounts.

### 1.2.3 Clearing Client Collateral

Where a Clearing Member wishes to transfer a Clearing Client's Collateral to the Clearing House, the Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the Clearing Client that the Clearing Member may charge the Collateral to the Clearing House, on the Clearing House's terms and free of the Clearing Client's or another owner's interest, to secure the Clearing Member's obligations to the Clearing House.

Where a Clearing Client's Collateral is to be transferred to the Clearing House, the Clearing Member must ensure that a *Client Consent Form* is completed by the beneficial owner (see Schedule 1).

The Clearing House gives no undertaking that, on the Default of a Clearing Member, it will not utilise Clearing Clients' Collateral which has been transferred to it by a Clearing Member, before utilising any other form of Collateral the Clearing House may hold.

**Clearing Members are warned that the transfer of Collateral and the grant of a security interest are complex legal matters. The Rulebook and any communication with the Clearing House (whether of an oral or written nature) are not to be taken as legal or other advice. A Clearing Member should seek its own independent professional advice.**

### 1.3 INSTRUCTIONS VIA CMS

The Clearing House will action instructions relating to Collateral that have been input and authorised via the CMS in accordance with, and subject to, this Section 4 of the Procedures. The details input on the CMS will form the basis of the matching instruction sent to the relevant Depository. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and to subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction (please refer to Section 1.4.7 below for further details).

The Clearing House will update the status of an instruction in the CMS to reflect the status of the corresponding instruction at the relevant Depository. On settlement of the relevant transaction at the relevant Depository, the Clearing House will reflect the balance of the securities on the relevant account of the Clearing Member and take them into account for the purposes of calculating the Clearing Member's Current Collateral Value.

The relevant account details that a Clearing Member should use for matching transactions at a Depository are located at [www.lch.com/documents/731485/762486/lch-custodian-settlement-accounts-for-margin-collateral-ltd-2809.pdf/6857526e-1d18-4b86-9e4a-bc1b7e2a4234](http://www.lch.com/documents/731485/762486/lch-custodian-settlement-accounts-for-margin-collateral-ltd-2809.pdf/6857526e-1d18-4b86-9e4a-bc1b7e2a4234).

The Clearing House will not be liable for any losses to Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a Depository or the Clearing Member (save for any liability which may not be excluded by Applicable Law).

### 1.4 SETTLEMENT PROCEDURES – SECURITIES PROVIDED BY A CLEARING MEMBER TO THE CLEARING HOUSE ON A BILATERAL BASIS

All transactions to transfer non-cash Collateral from a Clearing Member to the Clearing House or from the Clearing House to a Clearing Member will be executed free of payment.

#### 1.4.1 *Instruction Deadlines*

Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Operations' operational hours are Monday to Friday 07:00 – 21:00 (UK time).

For settlement in Austraclear, the Collateral Team in Sydney are available Monday to Friday 09:00 – 16:30 (AEST).

Instruction deadlines for same day settlement:

<b>Depository</b>	<b>Deadline for Instructions</b>
Euroclear UK/IE (CREST)	14:00 (UK time)
Euroclear internal	17:00 (UK time)
Fedwire - Citi and BNYMellon	19:00 (UK time)
Austraclear	15:30 (AEST)

The Clearing House will (subject to Sections 1.1.2, 1.1.3 and 1.1.8) input matching instructions to the relevant Depository for same day settlement when the instructions are received prior to the deadlines above.

#### 1.4.2 *Deliveries to and from Local Markets*

The Clearing House is bound by the settlement deadlines of the relevant Depository. Clearing Members should refer to the relevant Depository for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (i.e. on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

<b>Deliveries from Local Market</b>	<b>Depository Deadline</b>	<b>Instruction Deadline to Clearing House (UK time)</b>
Japan	07.55	17.00 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S

#### 1.4.3 *Transfer of Securities Collateral from a Clearing Member to the Clearing House*

Instructions for the transfer of securities Collateral from a Clearing Member to the Clearing House that are input via the CMS prior to the deadlines above for same day settlement will (subject to Section 1.1.8) be actioned and settled transactions will be taken into account for the purposes of calculating the Clearing Member's Current Collateral Value following settlement.

Transfer instructions for future settlement dates will (subject to Section 1.1.8) be instructed same day if received prior to the deadlines. Instructions received after the deadlines will (subject to Section 1.1.8) be instructed the following day.

#### 1.4.4 *Transfer of Securities Collateral from the Clearing House to a Clearing Member*

##### (a) *Release where Sufficient Collateral is Available*

Instructions to release existing securities Collateral of a Clearing Member that are input via the CMS prior to the deadlines above for same day settlement will (subject to Sections 1.1.2 and 1.1.8) be actioned and the Collateral specified in those instructions will (subject to Sections 1.1.2 and 1.1.8) no longer be included when calculating the Clearing Member's Current Collateral Value on confirmation of those instructions by the Clearing House.

##### (b) *Release where Sufficient Collateral is Unavailable*

Instructions to release existing securities Collateral of a Clearing Member must be input via the CMS before 09:30 UK time. The Clearing Member will then be requested to transfer additional cash Collateral. Following confirmation of the transfer of such cash Collateral, the settlement instruction will, subject to Sections 1.1.2 and 1.1.8, be sent to the Depository by the Clearing House and the Collateral specified in those instructions will, subject to Sections 1.1.2 and 1.1.8, no longer be included when calculating the Clearing Member's Current Collateral Value.

#### 1.4.5 *Substitutions*

Substitution instructions may be input via the CMS and will, subject to Sections 1.1.3 and 1.1.8, and to confirmation of those instructions by the Clearing House, be actioned on the same day if input prior to the deadlines above.

Clearing Members must first input the relevant lodge instruction(s) and then link the associated release instruction(s) to the lodge instruction(s).

#### 1.4.6 *Transfers*

Transfer instructions may be input via the CMS and will (subject to Sections 1.1.2 and 1.1.8) be actioned on the same day during operational hours.

Note: transfers are only permitted between mnemonics of the same Clearing Member and are subject to client segregation rules.

#### 1.4.7 *Settlement Cancellations*

Clearing Members may request the cancellation of an instruction via the CMS. The Clearing House will cancel any instruction that has not yet been processed. The Clearing House will seek, using its best endeavours, to cancel any settlement instructions already sent to the relevant Depository, but cannot guarantee that the transaction will not settle.

#### 1.4.8 *Instruction Status*

The status of an instruction can be monitored via the CMS. Statuses reflect the status of the instruction at the Clearing House and not at the relevant Depository. Please refer to the CMS user guide for status definitions.

### 1.5 **TAX ARRANGEMENTS**

#### 1.5.1 *US Securities*

For tax reasons, the Clearing House is required to segregate foreign (i.e. non-US) owners' securities from US owners' securities. Clearing Members must deliver securities to the correct account. The Clearing House operates accounts with Citibank N.A. and Bank of New York Mellon.

In order to reduce or to eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, Clearing Members will be expected to provide one of the forms noted below to the Clearing House. A current form will be required for each owner (i.e. the Clearing Member or the person named in the Client Consent Form).

The relevant forms will normally be one of:

- (a) 'W-9 (Request for Taxpayer Identification Number and Certification)'; which applies to a US corporation including a foreign branch of a US corporation and is valid indefinitely; or
- (b) 'W-8BEN (Certificate of Foreign Status)'; which applies to non-resident alien individuals, foreign corporations, partnerships and estates; and
- (c) valid for three calendar years.

Clearing Members may obtain originals of forms W-8BEN and W-9 from Collateral Operations.

**Note:** The Clearing House's arrangements with its Depositories only allow for securities holdings of US corporations or foreign (i.e. non-US) entities or individuals. Clearing Members who wish to discuss the possibility of lodging securities belonging to owners excluded from this arrangement should contact Collateral Operations.

Unless the Clearing House has already received the appropriate tax form, transfers into A/c #090401 or #735136 must be accompanied by form W-9 and transfers into A/c #090372 or #735137 normally by form W-8BEN.

**The Clearing House's acceptance of US securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your company accountant or professional advisers.**

Completed tax forms should be returned to Collateral Operations for onward transmission to the relevant Depository.

### 1.5.2 *Italian Securities*

For tax purposes the Clearing House operates an account with Euroclear Bank specifically for deliveries of Italian securities from a Clearing Member – account 91737.

This account is operated by the Clearing House in accordance with "Euroclear Procedures to Obtain Exemption from Italian Withholding Tax on Italian Domestic Debt Securities".

Beneficial owners are entitled to exemption at source from Italian Withholding Tax on Italian securities if they are:

- (a) resident in a country that has entered into a double taxation agreement with Italy (except black list countries/countries that do not have a tax treaty with Italy); or
- (b) a corporation resident in Italy; or
- (c) a supranational organisation recognised by Italian law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to the exemption and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from the Collateral Operations Department.

Original forms are to be received by the Clearing House before Italian securities can be accepted within the gross account 91737.

The effective date depends on the type and terms of the security:

- Coupon debt securities (BTPs, CCTs and CTOs)  
The new regime applies to the Coupons that arise on these securities on or after 1 January 1997, regardless of the issue date.
- Zero coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

**Clearing Members should consult their own tax advisers before lodging Collateral to the Clearing House or submitting any tax documentation.**

### 1.5.3 *Withholding tax – Depositories*

A Depository may offer a recovery service for overseas taxes on government bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any relevant recovery in withholding tax credited to the Clearing House's account by the relevant Depository.

In certain cases, the Clearing House or the relevant Depository will withhold tax on a Coupon if the correct documentation is not lodged with the Clearing House or such Depository.

## 1.6 **REFERENCES**

These Procedures should be read in conjunction with the relevant contractual provisions, user guides and/or manuals of the relevant Depository. Please also refer to each relevant Depository for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

## 1.7 **CONTINGENCY ARRANGEMENTS**

In the event of an outage of the CMS, the Clearing House will notify Clearing Members via member circular and Clearing Members may send certain instructions, using the appropriate form in the Schedules of these Procedures, to the Clearing House by fax and email (see Section 1.1.1 of these Procedures). Normal service hours and deadlines will apply to such instructions. The Clearing House will notify Clearing Members via a member circular when the CMS is available again.

## 1.8 **TRIPARTY SERVICE OF EUROCLEAR AND CLEARSTREAM**

### 1.8.1 *General Information*

In order for a Clearing Member to transfer securities to the Clearing House using a triparty arrangement, such Clearing Member, the relevant triparty agent and the Clearing House must have completed and signed the relevant documentation. Please contact the Clearing House on +44 (0)207 426 7237 for more information.

Clearing Members may execute a triparty transaction to cover initial margin requirements at the Clearing House. Triparty instructions must be provided to the Clearing House via the CMS. Instructions may be input for future settlement dates.

If a Clearing Member is unable to make triparty instructions via the CMS, it will be possible to instruct using the relevant triparty contingency forms found in the Schedules of these Procedures.

Triparty transactions must be a minimum of one million GBP, EUR or USD.

**Note:** In these procedures, "S" refers to the settlement day, and "S-1" to the working day before the settlement day.

1.8.2 *Lodgement and Increase Procedure*

Last instruction deadline to the Clearing House for (UK Time):		
	Euroclear Bank	Clearstream
Same day settlement	17.00	18.00
Next day settlement	17.00 (S-1)	18.00 (S-1)

1.8.3 *Decrease and Closing Procedure*

Last instruction deadline to the Clearing House for (UK Time):		
	Euroclear Bank	Clearstream
Same day settlement	17.00	18.00
Next day settlement	17.00 (S-1)	18.00 (S-1)

**Sufficient Collateral:**

Where the Clearing Member has sufficient Collateral available, the closure of a triparty transaction or the decrease of the transaction amount of a triparty transaction will be processed on the same day and the resulting reduction of Collateral will be taken into account for the purpose of calculating the Clearing Member's Current Collateral Value.

**Insufficient Collateral:**

Where the Clearing Member has insufficient Collateral to close a triparty transaction or to decrease the transaction amount of a triparty transaction, the Clearing Member's Current Collateral Value will be deemed to be decreased overnight and, the following morning, the Clearing House will only close the triparty transaction or decrease the transaction amount of the triparty transaction after 09.00 (UK time) when any PPS cash calls have been confirmed.

**Triparty deficits:**

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities provided or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation to shortfalls will be called in accordance with Section 1.3 (*Protected Payments System (PPS)*) of Section 3 of the Procedures (*Financial Transactions*). Such cash shall either be credited to the Clearing Member upon the Clearing



Member or the relevant Custodial Segregated Client making good the deficit pursuant to the triparty arrangement or retained as Collateral if the Clearing Member or a relevant Custodial Segregated Client does not make good the deficit.

## 1.9 CUSTODIAL SEGREGATED ACCOUNTS

A Clearing Member may, in respect of a Custodial Segregated Account, affirm an increase or decrease of the transaction amount of a triparty transaction between the Clearing House, the relevant Custodial Segregated Client (or its custodian) and the triparty agent in the circumstances set out in the relevant Collateral Management Agreement.

A Clearing Member may, via the CMS, elect to make such affirmation either manually ("**Manual Affirmation**") or using the auto-affirmation options in CMS. If a Clearing Member has elected Manual Affirmation, then the deadline by which it may affirm an increase or decrease of the transaction amount of a triparty transaction, via the CMS, is as follows:

Manual Affirmation deadline	17:00 (UK time)
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## 1.10 [RESERVED]

## 1.11 SWAPCLEAR INTRA-DAY MARGIN CALL: COLLATERAL MANAGEMENT

For the avoidance of doubt, this Section 1.11 applies only in respect of the SwapClear Service.

### 1.11.1 *General – Intra-day Margining*

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

Standard Clearing House rules as to the currencies in which cash Collateral may be transferred to the Clearing House to satisfy an intra-day Collateral requirement will apply.

It is the responsibility of the SwapClear Clearing Members to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to enable the Clearing House to deduct cash within 1 hour of the intra-day margin call.

If the Clearing House is unable to contact the SwapClear Clearing Member in order to arrange an alternative payment method for the intra-day margin call, the Clearing House will automatically issue a PPS call to debit the SwapClear Clearing Member's PPS account in the appropriate currency.

**SCHEDULE 1  
CLIENT CONSENT FORM**

Client Consent Form can be found at the following link:

[http://www.lch.com/documents/515114/515943/Client+Consent+Form\\_tcm6-60957.pdf/aebf8847-cad2-49a6-a846-55b6319b3d1c](http://www.lch.com/documents/515114/515943/Client+Consent+Form_tcm6-60957.pdf/aebf8847-cad2-49a6-a846-55b6319b3d1c)

**SCHEDULE 2**  
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**SCHEDULE 3  
CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM  
EUROCLEAR**

Version 1: July 2007

To LCH Limited (the "Clearing House")

LCH Limited Ref No: 00001ATS

From Clearing Member (full name) .....

**House/Client\*** Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. ....  
(Signature) (Print Name) (Position)

2. ....  
(Signature) (Print Name) (Position)

Date: .....

**SCHEDULE 4  
CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY AMENDMENT FORM**

**EUROCLEAR**

Version 1: May 2007

To LCH Limited (the "Clearing House")

From Clearing Member (full name) .....

**House/Client\*** Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. ....  
(Signature) (Print Name) (Position)

2. ....  
(Signature) (Print Name) (Position)

Date: .....

**SCHEDULE 5  
CONTINGENCY MEMBER TRIPARTY CLOSING FORM**



**MEMBER TRIPARTY CLOSING FORM  
EUROCLEAR**

Version 1: May 2007

To LCH Limited (the "Clearing House")

From Clearing Member (full name) .....

**House/Client\*** Mnemonic ..... \* Please delete as appropriate

Lodgement Number	Closing Date & Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. ....  
(Signature) (Print Name) (Position)

2. ....  
(Signature) (Print Name) (Position)

Date: .....

**SCHEDULE 6  
CONTINGENCY MEMBER TRIPARTY LODGEMENT FORM**



**MEMBER TRIPARTY LODGEMENT FORM**

**CLEARSTREAM**

Version 1: July 2007

To LCH Limited (the "Clearing House")

LCH Limited Ref No:

From Clearing Member (full name) .....

House/Client\* Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time.

Execution Date	Currency	Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. ....  
(Signature) (Print Name) (Position)

2. ....  
(Signature) (Print Name) (Position)

Date: .....

**SCHEDULE 7  
CONTINGENCY MEMBER TRIPARTY AMENDMENT FORM**



**MEMBER TRIPARTY AMENDMENT FORM  
CLEARSTREAM**

Version 1: May 2007

To LCH Limited (the "Clearing House")

From Clearing Member (full name) .....

**House/Client\*** Mnemonic ..... \* Please delete as appropriate

We are entitled to the entire beneficial interest in these securities.

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Clearstream clearance system subject to the fungibility regime organised by the Luxembourg Law of 1 August 2001 on the circulation of securities and other financial instruments as amended from time to time..

Execution Date	Lodgement Number	Increase/Decrease	Amount of Increase/Decrease	Currency	New Nominal Amount	Collateral Giver Account Number	Collateral Taker Account Number

Signatories for and on behalf of  
The Clearing Member

1. ....  
(Signature) (Print Name) (Position)

2. ....  
(Signature) (Print Name) (Position)

Date: .....



SCHEDULE 8
CONTINGENCY MEMBER TRIPARTY CLOSING FORM



MEMBER TRIPARTY CLOSING FORM
CLEARSTREAM

Version 1: May 2007

To LCH Limited (the "Clearing House")

From Clearing Member (full name) .....

House/Client\* Mnemonic ..... \* Please delete as appropriate

Table with 6 columns: Lodgement Number, Closing Date & Execution Date, Currency, Nominal Amount, Collateral Giver Account Number, Collateral Taker Account Number.

Signatories for and on behalf of
The Clearing Member

1. .... (Signature) .... (Print Name) .... (Position)

2. .... (Signature) .... (Print Name) .... (Position)

Date: .....

## SCHEDULE 9 CONTINGENCY COLLATERAL LODGEMENT FORM



**CONTINGENCY COLLATERAL LODGEMENT FORM**

Version 1: December 2011

To: LCH Limited (the "Clearing House") LCH Limited Ref No:  
 From: Clearing Member (full name) .....

**House/Client/Buffer\*** Mnemonic:..... **\*Please delete as appropriate**

We are/A client is\* entitled to the entire beneficial interest in these securities. (If a client is entitled to the entire beneficial interest, a Client Consent Form must be completed by the client and submitted to the Clearing House.)

**\*Please delete as appropriate**

Beneficial Owner Name (full name) \_\_\_\_\_

We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent to the securities being held in the Euroclear clearance system subject to the fungibility regime organised by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security
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Delivery from: Depository/Agent

(for US Securities, Broker Code):

Account Holder:

Account Number:

Beneficial Owner Italian Tax ID:

Delivery to:

BONY (US Owners)	BONY (Non-US Owners)	Citibank (US Owners)	Citibank (Non-US Owners)	Euroclear Bank (Global)	Euroclear Bank (Italian)	Euroclear UK & Ireland (Crestco)
735136	735137	090401	090372	91205	91737	5165

Signatories for and on behalf of The Clearing Member

- |    |             |              |            |
|----|-------------|--------------|------------|
| 1. | (Signature) | (Print Name) | (Position) |
| 2. | (Signature) | (Print Name) | (Position) |

Date:

## SCHEDULE 10 CONTINGENCY COLLATERAL RELEASE FORM



**CONTINGENCY COLLATERAL RELEASE FORM**

Version 1: February 2011

To: LCH Limited (the "Clearing House")

From: Clearing Member (full name) .....

House/Client/Buffer\* Mnemonic: ..... \*Please delete as appropriate

We hereby request you to release the securities described below.

Security Code Number (e.g.: ISIN)	Delivery Date	Trade Date	Amount/Nominal Value(Issue - Coupon - Maturity)	Description of Security

(The Clearing House Ref No: (from lodgement form)

Delivery to: Depository/Agent  
US Securities, Broker Code  
Account Holder:  
Account Number

Signatories for and on behalf of The Clearing Member

	1.	(Signature)	(Print Name)	(Position)
	2.	(Signature)	(Print Name)	(Position)

Date:

To: THE ABOVE-NAMED CLEARING MEMBER

The release of the above-mentioned securities is agreed.

For and on behalf of LCH Limited Date Time

(Authorised Signatory)

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA  
Recognised as a Clearing House under the Financial Services and Markets Act 2000.LCH.

**SCHEDULE 11**  
**[INTENTIONALLY LEFT BLANK]**

**SCHEDULE 12**  
**[INTENTIONALLY LEFT BLANK]**

**SCHEDULE 13  
CONTINGENCY CUSTODIAL SEGREGATED ACCOUNT AFFIRMATION FORM**



**CUSTODIAL SEGREGATED ACCOUNT  
AFFIRMATION FORM**

To LCH Limited (the "Clearing House")

From Clearing Member (full name) .....

Mnemonic:

Sub Account:

Client ID:

Agent Reference	Execution Date	Currency	New Amount	Collateral Giver Account Number	Collateral Taker Account Number	Set Code

We confirm that we:  (please circle the action you wish to take)	affirm the new triparty transaction amount specified above under "New Amount"	do not affirm the new triparty transaction amount specified above under "New Amount".
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Signatories for and on behalf of the Clearing Member

1. ....  
 (Signature) (Print Name) (Position)

2. ....  
 (Signature) (Print Name) (Position)

Date: .....

**[PLEASE NOTE – THIS FORM IS TO BE COMPLETED BY THE CLEARING HOUSE AND SENT TO THE CLEARING MEMBER FOR SELECTION OF THE APPLICABLE OPTION AND SIGNING]**