



**LCH LIMITED**

**PROCEDURES SECTION 2J**

**LISTED INTEREST RATES CLEARING SERVICE**

---

## CONTENTS

Section	Page
1. The LISTED INTEREST RATES Clearing Service .....	1
1.1 Introduction .....	1
1.2 General Information .....	3
1.3 Registration.....	4
1.4 Proprietary Accounts and Client Accounts .....	8
1.5 Margin and Collateral.....	9
1.6 Trade and Position Management .....	12
1.7 Option Exercise and Expiry .....	14
1.8 [Reserved] .....	15
1.9 Deliverable Bond Futures – Delivery Procedures .....	15
1.10 Long Gilt .....	18
1.11 German Government Bond (Euro Bund) .....	24
1.12 German Government Bond (BOBL).....	29
1.13 German Government Bond (Schatz).....	34
1.14 Listed Interest Rates Client Clearing .....	39
1.15 Indirect Clearing .....	40
2. PORTFOLIO MARGINING SERVICE .....	43
Schedule 1 Account Sale.....	44
Schedule 2 Invoice (Gilts).....	45
Schedule 3 Long Gilt Future Delivery Instruction for Sellers (Gilts).....	46
Schedule 4 Long Gilt Future Delivery Instruction for Buyers (Gilts) .....	47
Schedule 5 Account Sale (Euro Bund).....	48
Schedule 6 Invoice (Euro Bund).....	49
Schedule 7 German Govt. Bond (Euro Bund) Future Delivery Instruction for Sellers (Euro Bund).....	50
Schedule 8 German Govt. Bond (Euro Bund) Future Delivery Instruction for Buyers (Euro Bund).....	51
Schedule 9 Account Sale (BOBL) .....	52
Schedule 10 Invoice.....	53
Schedule 11 BOBL Future Delivery Instruction for Sellers .....	54
Schedule 12 BOBL Future Delivery Instruction for Buyers (BOBL) .....	55
Schedule 13 Account Sale (Schatz) .....	56
Schedule 14 Invoice (Schatz) .....	57
Schedule 15 Schatz Future Delivery Instruction for Sellers (Schatz) .....	58
Schedule 16 Schatz Future Delivery Instruction for Buyers .....	59

## 1. THE LISTED INTEREST RATES CLEARING SERVICE

### 1.1 Introduction

#### 1.1.1 Background

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

Listed Interest Rates Clearing Members must inform themselves fully of their obligations under the Rulebook and other relevant documentation, such as the Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the Listed Interest Rates Contract Terms.

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

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

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

#### 1.1.2 Interpretation

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

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

#### 1.1.3 Listed Interest Rates Eligible Products

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

#### 1.1.4 *Use of the Listed Interest Rates Clearing Service*

- (a) Where any Clearing Member wishes to participate in any part of the Listed Interest Rates Clearing Service, it must first seek appropriate authorisation from the Clearing House. Clearing Members seeking authorisation to participate in the Listed Interest Rates Clearing Service will be required to seek separate authorisation for business undertaken in relation to the service provided by each Rates Exchange.

Details of how to obtain such authorisations may be obtained from the Clearing House's Onboarding Department. The Clearing Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically with regard to settlement each Member must at all times ensure:

- (i) that it has PPS accounts in all relevant currencies to enable clearing and settlement; and
- (ii) that it has settlement accounts with all relevant central securities depositories identified in these Procedures as relevant to such Member's Listed Interest Rates Clearing Business.
- (b) Failure to meet the requirements set out in sub-paragraph (a) (i)-(ii) above (and other applicable requirements) will result in that Clearing Member not having appropriate settlement arrangements in place and, as a result, any Listed Interest Rates Novation Transaction or Rates Exchange Match presented for registration by or on behalf of that Member will not fulfil the relevant eligibility criteria for registration as Listed Interest Rates Contracts (see Regulation 97(c) and Regulation 98(b)). In such a case, such Listed Interest Rates Novation Transaction or Rates Exchange Match may be rejected by the Clearing House and no Listed Interest Rates Contracts would arise. The Listed Interest Rates Novation Transaction or Rates Exchange Match would then be governed by any applicable Rates Exchange Rules.

#### 1.1.5 *Suspension of Trading*

For the avoidance of doubt, any action by a Rates Exchange to suspend, de-list or take any other action with regard to a Listed Interest Rates Eligible Product shall not affect any obligations that a Listed Interest Rates Clearing Member may have to the Clearing House with regard to any open Listed Interest Rates Contracts in such Listed Interest Rates Eligible Product.

#### 1.1.6 *Liability*

- (a) Listed Interest Rates Clearing Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in Regulation 52.

- (b) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

### 1.1.7 Rates Exchange Status

Application for Rates Exchange status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Rates Exchanges currently approved by the Clearing House, as well as an indication of whether Listed Interest Rates Eligible Products listed on such Rates Exchange are registered by the Clearing House through an open offer or a novation clearing mechanism, shall be made available by the Clearing House. Where the Clearing House approves additional Rates Exchanges, it will notify Listed Interest Rates Clearing Members via a member circular.

## 1.2 General Information

### 1.2.1 Service Operation

- (a) Trading and Clearing System Functions

The respective functions of a Rates Exchange's trading system and the Clearing House's clearing system are contained in the relevant Service Description. All enquiries regarding the Listed Interest Rates Clearing Service should be directed to Client Services on +44 7426 7651 or [ListedRates.Ops.UK@lch.com](mailto:ListedRates.Ops.UK@lch.com).

- (b) Operating Times

Unless notified otherwise, the Listed Interest Rates Clearing Service clearing system will be operational as follows:

<u>Time (LDN)</u>	<u>Process</u>
07:00	Listed Interest Rates Service clearing system available to accept trades
21:00	Listed Interest Rates Eligible Product receipt deadline
21:00 – 21:45	Position maintenance window (trading ceases at 21:00)
21:45 – 01:00	Clearing system starts end of day processing, which shall include portfolio margining

The Listed Interest Rates Clearing Service clearing system uses the *SwapsMonitor Financial Calendar*. The calendar, as applicable to the

Listed Interest Rates Service, will be available on the Clearing House's website.

(c) System Requirements

Clearing Members must have in their office, at a minimum, a PC configured to access the clearing system GUI, a printer and back-up connectivity to the clearing system as required by the Clearing House.

1.2.2 *Member Reporting*

The Clearing House makes available appropriate clearing information via reports, real-time confirmations and other means. Full details are contained in the relevant Service Description documentation.

1.2.3 *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a Listed Interest Rates Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

1.2.4 *Static Data*

Prior to presentation of any Listed Interest Rates Novation Transaction or Rates Exchange Match for registration as a Listed Interest Rates Contract, a Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such Listed Interest Rates Novation Transaction or Rates Exchange Match will be presented ("**Rates Exchange Information**"). This applies also to any Listed Interest Rates Eligible Product traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

The format, contents and completion process of the static data form for the provision of Rates Exchange Information, in respect of each Rates Exchange, is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

Failure to provide the correct Rates Exchange Information in respect of the particular Rates Exchange may result in the rejection of a Listed Interest Rates Novation Transaction or Rates Exchange Match.

1.3 **Registration**

1.3.1 *General*

Listed Interest Rates Contracts may arise through either a novation or an open offer clearing mechanism.

(a) Novation

Novation applies to each Listed Interest Rates Eligible Product executed as a Listed Interest Rates Novation Transaction on a Rates Exchange. Where a Listed Interest Rates Novation Transaction is presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the Listed Interest Rates Novation Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the Listed Interest Rates Novation Transaction, registration shall occur immediately and the Listed Interest Rates Novation Transaction shall be automatically replaced with (as applicable) (i) two separate Listed Interest Rates Contracts, one between the relevant Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another Listed Interest Rates Clearing Member and the Clearing House, or (ii) one Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House and one FCM Listed Interest Rates Contract between the relevant FCM Clearing Member and the Clearing House (such time, the “**Registration Time**”).

Novation of Listed Interest Rates Novation Transactions is described in greater detail in Regulation 12 and Regulation 98.

(b) Open Offer

The Clearing House also provides an open offer in respect of Listed Interest Rates Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this “open offer”, once the particulars of a Rates Exchange Match are presented to the Clearing House, then, subject to the Regulations and the Procedures, the Clearing House shall automatically and immediately register either (i) two separate Listed Interest Rates Contracts, one between the relevant Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another Listed Interest Rates Clearing Member and the Clearing House, or (ii) one Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House and one FCM Listed Interest Rates Contract between the relevant FCM Clearing Member and the Clearing House (such time, the Registration Time).

The Clearing House’s open offer arrangements for Rates Exchange Matches are described in greater detail in Regulation 97.

1.3.2 *Confirmation*

Presentation of a Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) for registration to the Clearing House constitutes immediate confirmation in accordance with the Regulations by the Listed Interest Rates Clearing Member in whose name such Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) is presented. However, the Clearing House will only accept for registration, as Listed Interest Rates Contracts, the particulars of a Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) presented by a Rates Exchange in a message format and manner acceptable to the Clearing House.

Each Listed Interest Rates Clearing Member authorised to participate in the Listed Interest Rates Service must be familiar with the operating procedures and

deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

### 1.3.3 *Intra-Day Registration*

The Clearing House registers all Listed Interest Rates Contracts on an intra-day basis.

### 1.3.4 *Risk Pending Trades*

Except as otherwise required by Applicable Law, trades presented to the Clearing House for registration can be validated against a number of risk parameters, including quantity, price, premium, strike price, trade value or mark-to-market profit/loss parameters (“**Risk Parameters**”). Any trades that fall outside of the validation parameters will enter a pending state (the “**Risk Pending Queue**”) and require validation by Risk Management before being accepted or rejected by the Clearing House.

The Risk Parameter ranges are set by Risk Management and can be amended during periods of low or high volatility to capture or avoid suspension of trades which are within the day’s trading range.

### 1.3.5 *Conditions for Acceptance of Risk Pending Trades*

Except as otherwise required by Applicable Law, registration of trades held in the Risk Pending Queue is conditional on the transfer of sufficient Collateral to the Clearing House.

If the Clearing House decides that additional Collateral is required it will advise the Listed Interest Rates Clearing Member as soon as possible. The currency and method of funds transfer, or type of Collateral to be provided, will be agreed between the Clearing House and the Listed Interest Rates Clearing Member. Only when the Clearing House has received the Collateral or has received confirmation from the transferring bank that the cash Collateral has been, or is, in the process of being transferred will it accept the pending trade.

The Clearing House will carry out the process of accepting pending trades on an hourly basis throughout the day, or more frequently where possible. The acceptance process will apply to both sides of a trade at the same time.

It is the responsibility of each Listed Interest Rates Clearing Member to ensure that any trades likely to require acceptance are input as early as possible in the day; and that either sufficient surplus Collateral is maintained with the Clearing House or arrangements are in place to meet additional calls for Collateral. Trades not accepted by the Clearing House will not be registered. In order to achieve registration, the trade must be re-submitted (in accordance with the relevant Rates Exchange Rules) the next business day, when the same process will apply.

### 1.3.6 *Rejection*

Where (a) a Listed Interest Rates Novation Transaction or (b) the particulars of a Rates Exchange Match are presented to the Clearing House for registration as



two Listed Interest Rates Contracts (or one Listed Interest Rates Contract and one FCM Listed Interest Rates Contract), the Clearing House may reject such registration where:

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

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

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

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

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

### 1.3.7 *Notification*

All registered Contracts are listed on the Clearing Member statement available via the Member reporting website. Listed Interest Rates Clearing Members participating in the Portfolio Margining Service will also be notified via the Member reporting website of transfers of Identified Off-Setting Listed Interest

Rates Contracts as described more fully in Section 2C (SwapClear) of the Procedures.

## 1.4 Proprietary Accounts and Client Accounts

### 1.4.1 *Proprietary Accounts*

A Listed Interest Rates Service Clearing Member may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two or more sub-accounts:

- (a) one or more position accounts; and
- (b) one or more collateral accounts.

### 1.4.2 *Client Accounts*

#### (a) *Types of Client Account*

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

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

### 1.4.3 *Position Accounts*

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

any Listed Interest Rates Clearing Member which engages in Listed Interest Rates Client Clearing Business.

#### 1.4.4 *Operational Accounts*

The Clearing House will open operational accounts in respect of a Listed Interest Rates Clearing Member, which are used to record cash and securities balances and its Listed Interest Rates Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant Listed Interest Rates Clearing Members. Listed Interest Rates Operations will provide details of such accounts to a Listed Interest Rates Clearing Member upon request.

#### 1.4.5 *Listed Interest Rates Client Clearing Business*

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

### 1.5 **Margin and Collateral**

#### 1.5.1 *Initial Margin*

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

Margin requirements in respect of Listed Interest Rates Contracts are calculated net per account (except in the case of an Indirect Gross Account, where the margin requirements are calculated net per Indirect Gross Sub-Account), meaning that if long and short Listed Interest Rates Contracts are held in the same account in the same delivery month for futures, or the same series for

options, the initial margin requirement is calculated by reference to the net position of such Listed Interest Rates Contracts.. The Clearing House will calculate an account's (or, in the case of an Indirect Gross Account, an Indirect Gross Sub-Account's) net position in respect of any Designated Listed Interest Rates Contract by reference to all trading in such Contract on Designated Rates Exchanges.

(a) *Initial Margin Parameters*

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange(s). However, in accordance with the Regulations, the Clearing House retains the right at its discretion to vary the rates for the whole market or for a Clearing Member's accounts.

Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(b) *Intra-day Margin Calls*

In accordance with the Regulations the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see Section 1.3 of Procedure 3 (*Financial Transactions*)).

(c) *Calculation of Initial Margin*

(i) *Value At Risk (VaR)*

Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on Listed Interest Rates Contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0)20 7426 7520.

1.5.2 *Variation Margin*

All open contracts are marked to market daily by the Clearing House in accordance with the Listed Interest Rates Contract Terms. The official quotation is used as the market price. Profits or losses are either credited to or debited from a Clearing Member's Proprietary Account or Client Account (as applicable) or they form non-realised contingent liabilities or credits.

Separate variation margin calculations are performed for a Clearing Member's Proprietary Account, each Client Account (other than an Indirect Gross Account) and each Indirect Gross Sub-Account within an Indirect Gross Account (as applicable).. No offset between the Proprietary Accounts and the Client Account is allowed (except pursuant to Rule 8(d) of the Default Rules or any Insufficient Resources Determination Rule), and no offset between any

Client Accounts is allowed (except pursuant to Rule 15(a)(ii) of the Default Rules, a Cross-ISA Client Excess Deduction or any Insufficient Resources Determination Rule).

(a) *Realised Margin*

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded by the Clearing House ( i.e. the trade price for new trades and the previous day's official quotation for other positions). Realised margin is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

(b) *Variation Margin*

Variation margin is realised into postings to the relevant Proprietary Account or Client Account (as applicable).

*Contingent Variation Margin.* Contingent variation margin is calculated with reference to the official quotation at which a Contract went to delivery and the underlying asset value or the next nearest futures delivery month official quotation, dependent on the terms of the Listed Interest Rates Contract or these Procedures. Contingent variation margin is calculated for Listed Interest Rates Contracts that are subject to delivery of an underlying asset.

*Option Variation Margin.* Option variation margin is the value of unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

1.5.3 *Additional Margin*

In accordance with Regulation 20 (*Margin and Collateral*), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and variation margin obligations) as security for the performance by a Listed Interest Rates Clearing Member of its obligations to the Clearing House in respect of Listed Interest Rates Contracts registered in its name. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in Contracts held by the Listed Interest Rates Clearing Member is not adequately covered by the Collateral in respect of the initial or variation margin obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral against the Contracts generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

1.5.4 *Official Quotations*

Official quotations are based on the "Daily Settlement Prices (DSP)" and are supplied by the relevant Rates Exchange (or, in respect of a Designated Listed

Interest Rates Contract, the Clearing House) at the close of business each day. Should the relevant Rates Exchange fail to determine DSPs, the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

#### 1.5.5 *Settlement*

##### (a) *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day's official quotation or such other quotation as is specified in the Listed Interest Rates Contract Terms. This is debited from or credited to the relevant Proprietary Account or Client Account.

##### (b) *Delivery*

Deliverable contracts, as specified by the Listed Interest Rates Contract Terms, remaining open at expiry, or as notified via early delivery notice, are settled by physical delivery of the underlying at the "Final Settlement Price (FSP)", as determined by the relevant Listed Interest Rates Contract Terms.

### 1.6 **Trade and Position Management**

#### 1.6.1 *Allocations*

Listed Interest Rates Novation Transactions and Rates Exchange Matches can be allocated to a Listed Interest Rates Clearing Member's Position Keeping Accounts in a number of different ways based on the information provided:

- by including the Position Account Owner and the Position account type (e.g., House or Client);
- by giving-up the trade to another Listed Interest Rates Clearing Member (GUI or message function);
- by carrying out an internal give-up (GUI or message) to move the trade between a Listed Interest Rates Clearing Member's own accounts; and
- by modifying the trade or particulars (GUI only).

#### 1.6.2 *Give-Ups*

A Listed Interest Rates Novation Transaction or Rates Exchange Match that has been accepted can be given up, either to another Position Account Owner within a different Listed Interest Rates Clearing Member's accounts ("**External Give-up**"), or to a different Position Account within the same Listed Interest Rates Clearing Member's accounts ("**Internal Give-up**"). A "**partial give-up**" is achieved by splitting the Listed Interest Rates Novation Transaction or Rates Exchange Match followed by a Give-up.

An Internal Give-up is actioned immediately after the give-up instruction is successfully validated and the trade is allocated to the target Position Account Owner specified in the instruction. Once an External Give-up instruction is successfully validated it is marked as “Alleged”. The target Position Account Owner will be informed of the alleged Give-up.

A Give-up that is still in an Alleged status can be cancelled, in which case the give-up instruction will be marked as cancelled and a confirmation sent to both the source and target Position Account Owners.

Give-ups are also passed through the risk validation checks described in Section 1.1.3 above.

Give-ups are permitted up until the close of trading on the day following the date on which a contract is executed (“**Position Management Window**”). Give-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

### 1.6.3 Take-Ups

Any “Alleged” external Give-up instruction can either be Taken-up or Rejected by the target Position Account Owner, which must enter the position account it wishes the trade to be allocated to if it accepts the give-up. The trade is then re-allocated to the new position account and the Give-up and Take-up transactions are marked as Transferred.

If the Take-up is rejected the trade will remain in the source position account and the Give-up and Take-up transactions marked as Rejected.

Take-ups are permitted up until the end of the Position Management Window. Take-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

### 1.6.4 Position Transfers

Without prejudice to any approval that may be required under the relevant Rates Exchange Rules, Listed Interest Rates Clearing Members wishing to effect a position transfer to another Listed Interest Rates Clearing Member approved to participate in the Listed Interest Rates Clearing Service may do so directly through Synapse, provided that, where a transfer would exceed any applicable Risk Parameters, such transfer will be subject to the validation process described in Section 1.3.3 and Section 1.3.4 above before being accepted or rejected by the Clearing House.

Otherwise, Listed Interest Rates Clearing Members wishing to effect a position transfer should submit a written request by sending an email to [ListedRates.Ops.UK@lch.com](mailto:ListedRates.Ops.UK@lch.com).

Provided they relate to valid positions and adequate Collateral is available from both Listed Interest Rates Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

## 1.7 Option Exercise and Expiry

### 1.7.1 General

Each Contract is exercised through the clearing system.. Exercise rules are specified by the relevant Rates Exchange Rules and/or the relevant Listed Interest Rates Contract Terms, which determine the form and manner in which exercise notifications must be given, and the time frames for doing so. Exercise may be automatic or manual.

Options are exercised manually except on the last trading day when a combination of auto exercise and manual exercise is used and open futures contracts are created.

When exercised against, the Clearing House will select sellers against which to exercise, based on their open position. The method of allocation used for options is random scatter. The allocation process randomly determines each lot to be assigned in such a way that its selection is independent of either the proceeding lot or of the subsequent lot in the selection process.

An option shall be deemed to be exercised at such time as confirmed by the Clearing House on the clearing system.

Exercised index option contracts are settled in cash. The settlement amount is the difference between the strike price of the contract and the relevant Final Settlement Price (FSP).

Listed Interest Rates Clearing Members should consult the Service Description for more information and refer any enquiries to Client Services on +44 7426 7651 or [ListedRates.Ops.UK@lch.com](mailto:ListedRates.Ops.UK@lch.com), to the 'Synopsis Derivatives Member User Guide' for operating instructions and full details.

#### (a) Options Exercise Instructions

##### (i) Manual Exercise

Exercise instructions are submitted via the Options Exercise screen on the clearing system, between times as specified by relevant Rates Exchange Rules and/or the relevant Listed Interest Rates Contract Terms on any business day from the business day following the day of trade until the expiry day.

Exercise instructions can be cancelled via the Options Exercise screen up until the exercise deadline on the day the exercise instruction is input to the clearing system.

Warning messages will be displayed on the following conditions:

- when an exercise is performed on Out-of-the-Money options;
- when a cancel is performed on In-the-Money options;



- the number of lots exceed the lot limit, if the lot limit parameter is set by the Clearing Member in the BP Exercise Limit screen; and
- early exercise i.e. non-spot month, if this parameter is set by the Clearing Member in the BP Exercise Limit screens.

An option exercise maker-checker facility ensures exercise instructions are authorised by another authorised person before being submitted. Listed Interest Rates Clearing Members should ensure that they allow sufficient time for submitting instructions within contract deadlines, if this facility is switched on.

(ii) *Automatic Exercise on Expiry Day*

Preset limits within the clearing system define which options will be subject to automatic exercise at expiry.

Buyers of options may, in accordance with the relevant Listed Interest Rates Contract Terms, choose not to exercise option series that would be subject to automatic exercise. Listed Interest Rates Clearing Members that wish not to exercise such options must have done so by the exercise deadline of the expiring options. Failure to do so will result in the automatic exercise of the series.

(b) *Expiry Day*

Options expire at the time specified by relevant Listed Interest Rates Contract Terms on the expiry date. Listed Interest Rates Clearing Members who wish to exercise positions for strike prices which are not subject to automatic exercise for the expiring series, must do so by this time.

**It is not possible for Listed Interest Rates Clearing Members to input exercise or exercise cancellation instructions after the expiry time.**

(c) *Unavailability of System for Options Exercise*

In the event that the clearing system option exercise facilities are unavailable (in particular if an expiry or exercise deadline is imminent), it is essential that the Listed Interest Rates Clearing Member contacts Client Services on +44 7426 7651.

1.8 [Reserved]

1.9 Deliverable Bond Futures – Delivery Procedures

**These delivery procedures should be read in conjunction with the rest of this document, the Rulebook, the relevant Rates Exchange Rules and the relevant**

**Listed Interest Rates Contract Terms. Listed Interest Rates Clearing Members must be fully aware of their obligations under the relevant contracts.**

**In the event of any conflict between the Rulebook and the relevant Rates Exchange Rules and the Listed Interest Rates Contract Terms, the Rulebook shall prevail.**

Enquiries concerning the procedures in this Section should be directed to Client Services staff at the Clearing House.

#### 1.9.1 *Common Delivery Procedures*

##### (a) Allocation Method

For all deliverable bond contracts the following method is used by the Clearing House to allocate stock delivered by Sellers to Buyers:

- (i) Buying Clearing Members' accounts are listed in mnemonic sequence and numbered sequentially;
- (ii) a number is chosen at random;
- (iii) the allocation of the lowest coupon bond commences with the selected mnemonic and progresses through the list referred to in (a) above; and
- (iv) when no further allocation of the lowest coupon bond can be made, the allocation continues with the next lowest coupon bond and so on, until the process is completed with the allocation of the highest coupon bond.

If bonds of equal coupon but with different maturity dates have been nominated then the bond with the earliest maturity will be allocated first.

For the purpose of settlement efficiency the results of the allocation will be subject to settlement shaping with each instruction not exceeding a nominal value of GBP 50 million for Gilts or EUR 50 million for Bund, Bobl and Schatz.

##### (b) Clearing Accounts

Clearing Members' position keeping accounts, following any applicable netting, are aggregated to settlement account level for deliveries. Clearing Members must submit separate notifications (Seller's Delivery Notices, etc) to the Clearing House for each settlement account.

##### (c) Final Settlement Prices (FSP)

The FSP for bond deliveries will be determined in accordance with the relevant Listed Interest Rates Contract Terms. This is published as soon as possible after it has been set.

##### (d) Days and Times

All days are London business days unless otherwise stated.

All times are London times unless otherwise stated.

(e) Margin

The Clearing House continues to require Collateral in respect of initial and contingent variation margin requirements on open delivery contracts.

(f) The Delivery System

'The Delivery System' is the Clearing House Delivery System for deliverable Listed Interest Rates Contracts, which allows users to send and receive data to and from the Clearing House.

Clearing Members must submit delivery information using the Delivery System GUI.

When using the Delivery System GUI Clearing Members must always ensure that they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing connection difficulties should contact Client Services staff at the Clearing House immediately.

(g) Seller's Delivery Notice

Sellers must submit a *Delivery Notice* to the Clearing House via the Delivery System.

(h) Delivery Failure – Designated Listed Interest Rates Contracts Only

**This paragraph 1.9.1(h) applies only in respect of Designated Listed Interest Rates Contracts. For all other Listed Interest Rates Contracts, the treatment of delivery failures is set out in the relevant Rates Exchange Rules.**

Where the seller does not make delivery, or the buyer make payment, this will constitute a “delivery failure” within the meaning of Regulation 35 (Delivery (or other) Failures). A delivery failure may occur for any reason whatsoever, including, without limitation:

- (i) the failure of the Clearing House’s clearing system to effect settlement of such delivery or payment;
- (ii) any error, failure, closure or suspension of the Clearing House’s clearing system;
- (iii) a failure by any third party to make any required transfer of such deliverable bonds to seller or any settlement agent for seller in time to enable seller to make delivery to buyer; or

- (iv) any failure by either buyer or seller, or any settlement agent for either buyer or seller, to input any necessary instructions required by the Clearing House's clearing system or pursuant to the Regulations to effect settlement, including as a result of any fault or failure of any computer or communication system.

Where a delivery failure occurs, any decision as to alternative settlement procedures made by the Clearing House shall be binding on buyer and seller. The Clearing House may, but is not required to, require the buyer to pay an amount ("**Settlement Adjustment Amount**") equal to the product of: (i) the settlement payment required under the contract; (ii) the average of the Clearing House's base rate as at the close of each business day during the period that settlement is delayed; and (iii) the number of calendar days in the settlement delay period over 365.

In addition, if a delivery failure occurs and any dividend or coupon is paid on the deliverable bonds during the delayed settlement period, the Clearing House may, but is not required to, require the seller to pay an amount ("**Dividend Adjustment Amount**") equal to the gross amount of such dividend (without any withholding or deduction on account of any tax).

The delivery failure shall be "cured" on the business day on which the delivery has been made by the seller (including, where applicable, any Dividend Adjustment Amount) and the buyer to make payment (including, where applicable, any Settlement Adjustment Amount).

## 1.10 Long Gilt

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Gilts, against payment of the consideration amount specified in the Gilt contract terms; and
- Euroclear UK and Ireland - The Euroclear UK and Ireland System.

### 1.10.1 *Delivery Mechanism*

Deliveries under the Gilt contract must be made or taken via an account at Euroclear UK and Ireland (EUI).

(a) *Clearing House Delivery Account Details*

Details of the Clearing House's account at Euroclear UK and Ireland (EUI) are as follows:

Clearing House account number 5172

Clearing Members must ensure that Long Gilt settlement instructions originating from the Curve Exchange must be submitted and matched in Euroclear UK and Ireland with a trade system of origin (“TSO”) name as London Stock Exchange.

1.10.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services staff at the Clearing House immediately.

1.10.3 *Consideration Value Calculation*

The amount due to Sellers and payable by Buyers is calculated in accordance with the Gilt contract terms (all values in GBP):

Consideration value per lot = (1000 x FSP x Price Factor) + Initial Accrued + (Daily Accrued x Delivery Days in Month)

*Consideration Calculation Example*

FSP(N)	=	107.41
Price Factor	=	1.2554334
Initial Accrued	=	1746.58
Daily Accrued	=	17.1233
Delivery Days in Month	=	10
Single lot value	=	(1000 x 107.41 x 1.2554334) + 1746.58 + (17.1233 x 10)
	=	136,763.914494
Consideration value per lot	=	136,763.91

The Clearing House establishes the consideration amount by calculating the full value of **1 lot** using the formula (i.e. up to 7 decimal places on the price factor and 5 on the FSP) and rounding to the nearest whole penny (.5 rounded down). This **per** lot value is then multiplied by the number of lots to establish the total consideration value.

1.10.4 *Delivery Timetable (except for Last Notice Day)*

DAY	TIME LONG GILT	ACTION	
		SELLERS	BUYERS

DAY	TIME LONG GILT	ACTION	
		SELLERS	BUYERS
Notice Day	By 11:00	Sellers submit <i>Seller's Delivery Notices</i> in Synapse and the Delivery System	
	By 11:30 By 12:00  By 15:00	Synapse position keeping deadline  FSP established  Delivery Positions for Futures Report available	Synapse position keeping deadline  FSP established  Allocation of lots to Buyers  Delivery Positions for Futures Report available  Deliverable gilts allocated to Buyers
Notice Day + 1	By 05:00  From 09:00  By 12:30	The Clearing House makes Account Sales and Delivery Instructions report available  Seller to commence matching  All deliveries must be matched in Euroclear UK & Ireland	The Clearing House makes Invoices and Delivery Instructions report available  Buyer to commence matching  All deliveries must be matched in Euroclear UK & Ireland
Settlement Day (Notice day + 2)	By 13:00	Gilts delivered against payment	Gilts received against payment
S + 1		The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

1.10.5 *Delivery Timetable (Last Notice Day)*

DAY	TIME LONG GILT	ACTION	
		SELLERS	BUYERS
Last Notice Day (the businessday following the last trading day)	By 10:00	Sellers submit <i>Seller's Delivery Notices</i> to The Delivery System	
		Synapse position keeping deadline	Synapse position keeping deadline
	By 11:00		Allocation of lots and gilts to Buyers
	By 15:00	The Clearing House makes Account Sales and Delivery Instructions report available	The Clearing House makes Invoices and Delivery Instructions report available
	By 17:30	Seller to commence matching	Buyer to commence matching
		All deliveries must be matched in Euroclear UK & Ireland	All deliveries must be matched in Euroclear UK & Ireland
Settlement Day (Last Notice Day + 1)	By 13:00	Gilts delivered against payment	Gilts received against payment
S + 1		The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

1.10.6 *Long Gilt Delivery Procedures*(a) *Last Trading, Notice and Settlement Day Definitions*

The First and Last Notice Day, and Settlement Day, are defined in the Listed Interest Rates Contract Terms for the Long Gilt contract.

(b) *Notice Day - (except for Last Notice Day see Section 1.10.6(e))**By 11:00 hours - Long Gilt*

Deliverable positions are based on Clearing Members' positions at the close of business the previous day. The positions may be transferred or settled to establish the deliverable position.

On each business day during the notice period, a Seller may input an 'Early Delivery Notification' to Synapse and must then, in addition, submit to the Clearing House the corresponding *Seller's Delivery Notice*. The input of a delivery notification to Synapse without the corresponding *Seller's Delivery Notice* (or vice versa) will not constitute a valid notification to the Clearing House. Any notices submitted after this deadline will be rejected and Sellers must submit on the following business day if they still wish to deliver early (if the next business day is the Last Notice Day, then the Last Notice Day procedures apply).

*By 11:30 hours (approx)*

The Final Settlement Price (FSP) is announced.

*By 12:00 hours (approx) - Long Gilt*

A Delivery Positions for Futures report indicating the number of lots allocated to Buyers is made available on Synapse.

*By 15:00 hours*

The Clearing House allocates Gilts to Buyers.

(c) *Business Day following Notice Day*

*By 05:00 hours*

- *Delivery Instructions for Sellers*
- *Delivery Instructions for Buyers*

The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The times stipulated below are the latest possible times for pre-matching.

*From 09:00 hours*

Details of the delivery contracts must be submitted and matched in Euroclear UK & Ireland.

All entries **must** be made with the necessary fields completed in order to match with the Clearing House instruction.

*By 12:30 hours*

Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**



The Clearing House informs the operations personnel of the relevant Rates Exchange of any outstanding matching problems after this time.

(d) *Last Trading Day (LTD)*

*At 11:00 hours*

Trading ceases two business days prior to the last business day in the delivery month.

(e) *Last Notice Day*

The Last Notice Day is the business day following the Last Trading Day.

*By 10:00 hours - Long Gilt*

Sellers holding open positions **must** submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System. Clearing Members are not required to give notification via Synapse. Clearing Members with open positions in the expired delivery month are obliged to make or take delivery.

*By 15:00 hours - Long Gilt*

The Clearing House makes the following available:

- *Account Sales*
- *Invoices*
- *Delivery Instructions for Sellers*
- *Delivery Instructions for Buyers.*

Clearing Members commence matching with the Clearing House.

*By 17:30 hours*

Clearing Members must have successfully matched all trades with the Clearing House in Euroclear UK & Ireland.

**Failure to match with the Clearing House contravenes Clearing House Procedures.**

The Clearing House informs the operations personnel of the relevant Rates Exchange of any outstanding matching problems after this time.

(f) *Settlement Day*

Settlement day means the second business day after the notice day or, where the notice day is the Last Notice Day, settlement day will be the next business day after the Last Notice Day.

The Seller must ensure that their Euroclear UK & Ireland priority settings and cap permit their trades to settle before the Clearing House settlement deadline.

*By 13:00 hours*

Gilts will have passed from the Seller's Euroclear UK & Ireland account to the Clearing House's Euroclear UK & Ireland account (5172) and subsequently to the Buyer's Euroclear UK & Ireland account on Settlement Day.

The Buyers and the Clearing House's settlement bank will effect payment by the end of the day across Real Time Gross Settlement (RTGS) accounts at the Bank of England.

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

## 1.11 German Government Bond (Euro Bund)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bunds, against payment of the consideration amount specified in the Listed Interest Rates Contract Terms for German Government Euro Bund Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent – Euroclear or Clearstream Luxemburg SA.

### 1.11.1 *Delivery Mechanism*

Deliveries under the Euro Bund contract must be made or taken via accounts at one or more of the following delivery systems:

- Euroclear; and
- Clearstream Luxemburg.

#### (a) *Clearing House Delivery Account Details*

Details of the Clearing House's accounts at Euroclear and Clearstream Luxemburg are as follows:

Euroclear : Clearing House account number for Curve transactions 79317

Clearstream Luxemburg : Clearing House account number for Curve

transactions 24270

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each Euro Bund delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

#### 1.11.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services staff at the Clearing House immediately.

#### 1.11.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Euro Bund contract terms.

$$\text{Consideration value per lot} = (1000 \times \text{FSP} \times \text{Price Factor}) + \text{Accrued Interest}$$

##### *Consideration Calculation Example*

$$\begin{aligned} \text{FSP} &= 113.41 \\ \text{Price Factor} &= 0.950491 \\ \text{Accrued Interest} &= 2258.22 \end{aligned}$$

$$(1000 \times 113.41 \times 0.950491) + 2258.22$$

$$= \text{EUR } 110,053.40431$$

$$\text{Consideration Value} = \text{EUR } 110,053.40$$

The consideration value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

## 1.11.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes Account Sales and Delivery Instruction Report available.	The Clearing House makes Invoices and Delivery Instruction Report available.
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

\* CENTRAL EUROPEAN TIME INCLUDES LUXEMBOURG TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES

### 1.11.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

### 1.11.6 *Delivery Procedures*

#### (a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

#### (b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Luxembourg working day, in which case the Luxembourg working day immediately following it is the Settlement Day.

#### (c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates Bunds to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (Schedule 5)
- *Invoices* (Schedule 6)
- *Delivery Instructions for Sellers* (Schedule 7)
- *Delivery Instructions for Buyers* (Schedule 8).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

The Clearing Member shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Luxembourg working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

- (e) *S Settlement Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bunds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bunds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxembourg Overnight Processing**

Where the Clearing House is taking delivery of Bunds, via Euroclear or Clearstream Luxembourg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or

Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

- (f) *S + 1 The first Luxembourg working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

## 1.12 German Government Bond (BOBL)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in the Listed Interest Rates Contract Terms for Bobl Futures Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, or Clearstream Luxembourg SA.

### 1.12.1 Delivery Mechanism

Deliveries under the Bobl contract must be made or taken via accounts at one or more of the following delivery systems:

- Euroclear; and
- Clearstream Luxembourg.

#### (a) Clearing House Delivery Account Details

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear	:	Clearing House account number for Curve transactions 79317
Clearstream Luxembourg	:	Clearing House account number for Curve transactions 24270

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

#### 1.12.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services staff at the Clearing House immediately.

#### 1.12.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers are calculated in accordance with the Bobl Futures Contract terms.

$$\text{Consideration value per lot} = (1000 \times \text{FSP} \times \text{Price Factor}) + \text{Accrued Interest}$$

##### *Consideration Calculation Example*

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22
		(1000 x 113.41 x 0.950491) + 2258.22
	=	EUR 110,053.40431
Consideration Value	=	EUR 110,053.40

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.



## 1.12.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes the Account Sales and Delivery Instructions Report available	The Clearing House makes the Invoices and Delivery Instructions Report available
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

\* CENTRAL EUROPEAN TIME INCLUDES LUXEMBOURG TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, RULES AND CLEARING HOUSE DELIVERY PROCEDURES

### 1.12.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are aware of, and adhere to, the Clearing House deadlines.

### 1.12.6 *Delivery Procedures*

#### (a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

#### (b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Bobl Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Luxembourg working day, in which case the Luxembourg working day immediately following it is the Settlement Day.

#### (c) *Last Trading Day (LTD)*

*At 11:30*

Trading ceases in the delivery month.

*By 12:00*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 17:00 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (Schedule 9)
- *Invoices* (Schedule 10)
- *Delivery Instructions for Sellers* (Schedule 11)
- *Delivery Instructions for Buyers* (Schedule 12).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Luxembourg working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

**Failure to match with the Clearing House contravenes Clearing House procedures.**

- (e) *S Settlement Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system, against payment. The Clearing House shall have transferred Bonds to the Buyer's account at the relevant delivery system against payment.

**During Euroclear/Clearstream Luxembourg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxembourg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

- (f) *S + 1 The first Luxembourg working day immediately following Settlement Day (LTD + 3)*

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

### 1.13 German Government Bond (Schatz)

The following abbreviations are used in these procedures:

- DVP means delivery versus payment;
- RVP means receipt versus payment;
- Delivery and receipt versus payment means a transfer of Bonds, against payment of the invoicing amount specified in the Listed Interest Rates Contract Terms for Schatz Futures Contracts;
- Euroclear - The Euroclear System; and
- Securities correspondent - Euroclear, Clearstream Luxembourg SA.

#### 1.13.1 Delivery Mechanism

Deliveries under the Schatz contract must be made or taken via accounts at one or more of the following delivery systems:

- Euroclear; and
- Clearstream Luxembourg.

#### (a) Clearing House Delivery Account Details

Details of the Clearing House's accounts at Euroclear and Clearstream Luxembourg are as follows:

Euroclear : Clearing House account number for Curve transactions 79317

Clearstream Luxembourg : Clearing House account number for Curve transactions 24270

**The Clearing House retains the right to amend the above list without prior notification to Clearing Members.**

For each delivery, Clearing Members are advised of the Clearing House's delivery systems, agents, accounts and reference numbers, on the *Delivery Instructions Report*.

1.13.2 *Delivery Communication and the Delivery System*

Delivery documentation must be submitted using The Delivery System. When using The Delivery System, Clearing Members must always ensure they allow sufficient time to input their delivery details within the deadlines prescribed in these procedures. Failure to do so will constitute late delivery of documentation and may be subject to disciplinary action. Clearing Members experiencing difficulties should contact Client Services at the Clearing House immediately.

1.13.3 *Consideration Value Calculation*

The amounts due to Sellers from Buyers, are calculated in accordance with the Listed Interest Rates Contract Terms for Schatz Futures Contracts.

Consideration value per lot = (1000 x FSP x Price Factor) + Accrued Interest

*Consideration Calculation Example*

FSP	=	113.41
Price Factor	=	0.950491
Accrued Interest	=	2258.22
		(1000 x 113.41 x 0.950491) + 2258.22
	=	EUR 110,053.40431
Consideration Value	=	EUR 110,053.40

The invoice value is calculated using the **full** extent of decimal places for each component of the formula.

The invoice value of **1 lot** is then established by taking the full value and rounding to the nearest Euro cent (.5 being rounded down). This **per** lot value is then multiplied by the number of lots to establish the total invoice value.

## 1.13.4 Delivery Timetable

DAY	TIME	TIME	ACTION	
	LONDON	CET*	SELLERS	BUYERS
Last trading day (LTD)	11:30	12:30	Trading ceases	Trading ceases
	12:00	13:00	FSP established	FSP established
	17:00	18:00	Synapse Position Keeping deadline Sellers submit <i>Sellers Delivery Notice</i>	Synapse Position Keeping deadline
	17:30	18:30	The Clearing House performs delivery allocation	The Clearing House performs delivery allocation
	18:00	19:00	The Clearing House makes the Account Sales and Delivery Instructions Report available	The Clearing House makes the Invoices and Delivery Instructions Report available
S - 1 (LTD + 1)	10:00	11:00	Sellers submit DVP instructions to their custodian bank	Buyers submit RVP instructions to their custodian bank
	14:00	15:00	Sellers match the Clearing House instruction entered into delivery centre	Buyers match the Clearing House instruction entered into delivery centre
S (LTD + 2)	Following standard delivery cycles	Following standard delivery cycles	The Clearing House receives confirmation of delivery	The Clearing House receives confirmation of delivery
S + 1 (LTD + 3)			The Clearing House releases Collateral in respect of initial and variation margin	The Clearing House releases Collateral in respect of initial and variation margin

\* CENTRAL EUROPEAN TIME INCLUDES LUXEMBOURG TIME WHERE QUOTED IN THE EXCHANGE CONTRACT TERMS, ADMINISTRATIVE PROCEDURES AND CLEARING HOUSE DELIVERY PROCEDURES

### 1.13.5 *Transaction cut off times and Clearing House deadlines*

Clearing Members should note that the deadlines quoted by the Clearing House may vary from those quoted by the delivery systems or agents.

It is each Clearing Member's responsibility to ensure that they and their agents are made aware of Clearing House deadlines.

### 1.13.6 *Delivery Procedures*

#### (a) *Deliverable Bonds*

A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. A Deliverable Bond is a bond which is listed on the final list of deliverable bonds for a delivery month as defined in the Listed Interest Rates Contract Terms. The initial list of bonds will be available from the Delivery System until such time as the final list is published.

#### (b) *Last Trading, Notice and Settlement Day Definition*

The Last Trading Day, Notice Day and Settlement Day are as defined in the Listed Interest Rates Contract Terms for the Schatz Futures Contract. The Settlement Day is usually the tenth day of the delivery month, unless this is not a Luxembourg working day, in which case the Luxembourg working day immediately following it is the Settlement Day.

#### (c) *Last Trading Day (LTD)*

*At 11:30 hours*

Trading ceases in the delivery month.

*By 12:00 hours*

The FSP is announced by the Exchange.

*By 17:00 hours - Delivery Notice Deadline*

Clearing Members must ensure that all give ups, take ups and settlements are performed via Synapse by the 13:30 hours deadline. Clearing Members with open positions in the expired contract month are obliged to make or take delivery.

Sellers must submit a *Seller's Delivery Notice* to the Clearing House via the Delivery System.

*At 17:30 hours*

The Clearing House allocates deliveries to Buyers.

*By 18:00 hours*

The Clearing House makes the following available:

- *Account Sales* (Schedule 13)
- *Invoices* (Schedule 14)
- *Delivery Instructions for Sellers* (Schedule 15)
- *Delivery Instructions for Buyers* (Schedule 16).

**In order to meet the relevant deadlines, Buyers and Sellers should ensure that all Clearing House instructions are given priority by their respective Settlement Departments.**

Clearing Members shall have given instructions to, or shall have briefed their delivery agent to have given instructions to the delivery centre specified in the *Delivery Instructions for Sellers/Buyers*. The instructions as described **must** be utilised by Clearing Members, their delivery system and or agent in order to match the instructions entered by the Clearing House.

Clearing Members should endeavour to match with the Clearing House at the **earliest** possible time. The time stipulated below is the latest possible time for matching.

- (d) *S-1 on or before the first Luxembourg working day following the last trading day (LTD)*

*By 10:00 hours*

Clearing Members or their delivery agents shall have instructed their respective delivery system to match all instructions (stated in the *Delivery Instructions*) given by the Clearing House.

*By 14:00 hours*

All instructions must be matched with the Clearing House.

Failure to match with the Clearing House contravenes Clearing House procedures and the Listed Interest Rates Contract Terms for the Schatz Future Contract.

- (e) *S Delivery Day (LTD + 2)*

*By 08:00 hours Central European time*

The Seller's delivery system or agent shall have transferred Bonds to the Clearing House's account at the relevant delivery system against payment. The Clearing House shall have transferred Bonds to the Transferee's account at the relevant delivery system against payment.



### **During Euroclear/Clearstream Luxembourg Overnight Processing**

Where the Clearing House is taking delivery of Bonds, via Euroclear or Clearstream Luxembourg, and a Seller fails to deliver Deliverable Bonds to the Clearing House in the overnight processing cycle of Euroclear or Clearstream Luxembourg, the Clearing House will invoke automatic borrowing procedures, subject to supply.

All costs arising as a result of failure to deliver to the Clearing House in the Euroclear/ Clearstream Luxembourg overnight processing cycle will be passed to the defaulting Selling Clearing Member.

- (f)  $S + 1$  The first Luxembourg working day immediately following Settlement Day ( $LTD + 3$ )

The Clearing House releases Collateral in respect of initial and contingent variation margin for successfully completed deliveries.

## **1.14 Listed Interest Rates Client Clearing**

### **1.14.1 Listed Interest Rates Client Clearing – Ancillary Documentation**

- (a) *Security Deed*

Unless specified otherwise by the Clearing House, a Listed Interest Rates Clearing Member must enter into a Security Deed in respect of its Clearing Clients in relation to amounts due to it from the Clearing House pursuant to the Client Clearing Annex. Further information in relation to such Security Deed is prescribed by the Clearing House from time to time and published on the Clearing House's website.

- (b) *Clearing House Prescribed Language*

Pursuant to the Clearing House's Regulations, each Listed Interest Rates Clearing Member is required to ensure that it includes certain language in its agreement with its Listed Interest Rates Clearing Client(s) (the "**Clearing House Prescribed Language**"). The Clearing House Prescribed Language is shown at Schedule 2 of Procedure 4 (*Margin and Collateral*).

### **1.14.2 Backup Clearing Members**

A Listed Interest Rates Clearing Client may appoint a Backup Clearing Member for the purposes of the porting of the Listed Interest Rates Contracts entered into by a Listed Interest Rates Clearing Member on its behalf, in accordance with the Client Clearing Annex.

Where, following the Default of a Listed Interest Rates Clearing Member, the Clearing House is notified of the existence of such a Backup Clearing Member in respect of a Listed Interest Rates Clearing Client, the Clearing House is entitled, in accordance with the Client Clearing Annex, to immediately and without notice to any person, send details of the Relevant Contracts and Account Balances to that appointed Backup Clearing Member. The Clearing

House shall not require consent from any person in advance of sending these details.

Note: The appointment by a Listed Interest Rates Clearing Client of a Backup Clearing Member and the notification of a Backup Clearing Member to the Clearing House does not mean that Listed Interest Rates Contracts will always be transferred to that Backup Clearing Member. Porting of Listed Interest Rates Contracts, following a Listed Interest Rates Clearing Member's Default is always subject to the Clearing House's receipt of consent from the relevant Backup Clearing Member.

#### 1.14.3 Rates Service Default Management Disclosure Notice

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

### 1.15 Indirect Clearing

1.15.1 In circumstances where an early termination date (howsoever described) occurs in respect of all of the transactions between a Listed Interest Rates Clearing Member and a Listed Interest Rates Clearing Client acting on behalf of Indirect Clearing Clients comprising an Indirect Gross Account in respect of which such Listed Interest Rates Clearing Member (i) is a party to Related Listed Interest Rates Contracts and (ii) at the time of such early termination date, is not a Defaulter, that Listed Interest Rates Clearing Member may instruct the Clearing House to take one of the following steps in respect of each Indirect Clearing Client comprising the Indirect Gross Account:

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

- (ii) a new or existing Omnibus Segregated Account opened within the Clearing House by the Listed Interest Rates Clearing Member where such Indirect Clearing Client shall, after such transfer, become a Listed Interest Rates Clearing Client in respect of such Omnibus Segregated Account,

(each, a "**Direct Account Opening**"); or

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

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

1.15.2 Each of the steps referred to in Section 1.15.1(a) to (c) will, in respect of each Indirect Clearing Client comprising the Indirect Gross Account, be subject to the following:

- (a) the Clearing House receiving a copy of the notice from the Listed Interest Rates Clearing Member to the relevant Listed Interest Rates Clearing Client or from the relevant Listed Interest Rates Clearing Client to the Listed Interest Rates Clearing Member, copied to each Indirect Clearing Client comprising the Indirect Gross Account, designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
- (b) the Clearing House receiving a copy of the notice from the Listed Interest Rates Clearing Member to the relevant Listed Interest Rates Clearing Client and the relevant Indirect Clearing Client confirming that the Listed Interest Rates Clearing Member will, in accordance with the instructions of the Indirect Clearing Client, request the Clearing House to arrange a Client to Client Porting, a Direct Account Opening or an Initial Transfer (as applicable) in respect of the Related Listed Interest Rates Contracts; referable to such Indirect Clearing Client;
- (c) the Listed Interest Rates Clearing Member having satisfied the Total Required Margin Amount in respect of the relevant account to which the Related Listed Interest Rates Contracts are being transferred;
- (d) the Clearing House receiving an indemnity from the Listed Interest Rates Clearing Member in a form suitable to the Clearing House; and

- (e) in respect of a Client to Client Porting, the Clearing House receiving written confirmation from the Listed Interest Rates Clearing Member that the Backup Client has agreed to act as the Backup Client in relation to such Client to Client Porting.

The Clearing House will usually arrange a transfer of the Related Listed Interest Rates Contracts referable to an Indirect Clearing Client within 24 hours of receipt of the documents listed in Section 1.15.2(a) to (e).

For the purposes of this Section 1.15, a "**Related Listed Interest Rates Contract**" means in respect of a transaction between a Listed Interest Rates Clearing Member and a Listed Interest Rates Clearing Client which has been terminated on an early termination date, the open position represented by the Listed Interest Rates Contract entered into with the Clearing House by such Listed Interest Rates Clearing Member on behalf of the relevant Listed Interest Rates Clearing Client on equal and opposite terms to such transaction.

#### 1.16 **Listed Interest Rates Contributions**

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

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

If a Resignation Effective Date has occurred in respect of a Resigning Member and the Listed Interest Rates Service pursuant to Rule L6(c) of the Rates Service Default Fund Supplement, then the Clearing House will repay the Listed Interest Rates Contribution that it holds for such Clearing Member (to the extent it has not been applied under the Default Rules) to the Clearing Member's relevant PPS account on such Resignation Effective Date.

Interest on Listed Interest Rates Contributions will be paid to Listed Interest Rates Clearing Members' PPS accounts on the fifth business day of each month, in respect of the "**interest accrual period**" occurring immediately prior to each such business day. Interest is calculated in respect of each "**interest accrual period**", which commences on (and includes) the fourth business day of each month (each, a "**Listed Interest Rates Reset Day**") and ends on (and includes) the calendar day immediately before the next Listed Interest Rates Reset Day. Notwithstanding the preceding paragraphs, if the rate of interest payable on Listed Interest Rates Contributions is negative, interest shall be payable by Listed Interest Rates Clearing Members to the Clearing House.

## 2. PORTFOLIO MARGINING SERVICE

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

The Portfolio Margining Service is only available to Listed Interest Rates Service Clearing Members who are also SwapClear Clearing Members and the details regarding the Portfolio Margining Service (including the relevant eligibility criteria and operational arrangements) are therefore described at Section 2C (*SwapClear*) of the Procedures, Section 2.

A Listed Interest Rates Clearing Member must (i) opt-in to the Portfolio Margining Service in accordance with the procedure set out in Section 2C (*SwapClear*) of the Procedures, Section 2.2 and (ii) meet the PM Eligibility Criteria (as defined in Section 2C (*SwapClear*) of the Procedures, Section 2.2.3, in order to benefit from the portfolio-margining functionality provided by the service. However, it should be noted that regardless of whether or not a Listed Interest Rates Clearing Member opts in, the SwapClear Service and Listed Interest Rates Service share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other Clearing Members participating in the other such Service whether or not as a Portfolio Margining Clearing Member. In particular, the resources of a Clearing Member that is a member of the SwapClear Service and the Listed Interest Rates Service will be made available to cover the Clearing House's losses in a different manner to those of a Clearing Member that is only a member of one of those Services, regardless of whether that Clearing Member opts-in to the Portfolio Margining Service. Listed Interest Rates Clearing Members should therefore familiarise themselves with the provisions of the Rulebook (including, but not limited to, the Default Rules).

For information in relation to the Portfolio Margining Service (including but not limited to, the impact of the Portfolio Margining Arrangements on (i) Listed Interest Rates Listed Interest Rates Derivatives Contracts for margining purposes and (ii) Listed Interest Rates Clearing Clients), please refer to Section 2C (*SwapClear*) of the Procedures. A list of Listed Interest Rates Eligible Products may be found on the Clearing House's website (<http://www.lch.com>).

**SCHEDULE 1  
ACCOUNT SALE**

06-Mar-2014

**LCH LIMITED**

Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH Limited

-----  
**LONG GILT FUTURE**

Delivery Month : MAR 2014 Settlement Date : 10-MAR-2014

Tendered in fulfilment of 104 lots of:

Stock Code : GB0009997114  
Coupon Rate : 5.250%  
Maturity Date : 07-Dec-2020

Nominal Value	:	GBP	10,400,000.00
EDSP	:		107.41
Price Factor	:		1.2554334
Initial Accrued	:		1746.58
Delivery Days @	:		17.1233
Total Daily Accrued	:		171.233

Countervalue	:	GBP	14223446.64
--------------	---	-----	-------------

E. & O.E.

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

**SCHEDULE 2  
INVOICE (GILTS)**

06-Mar-2014

**LCH LIMITED**

Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH Limited

-----  
**LONG GILT FUTURE**

Delivery Month : MAR 2014 Settlement Date : 10-MAR-2014

Tendered in fulfilment of 104 lots of:-

Stock Code : GB0009997114  
Coupon Rate : 5.250%  
Maturity Date : 07-Dec-2020

Nominal Value	: GBP	10,400,000.00
EDSP	:	107.41
Price Factor	:	1.2554334
Initial Accrued	:	1746.58
Delivery Days @	:	17.1233
Total Daily Accrued	:	171.233
Countervalue	: GBP	14223446.64

E. & O.E.

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

**SCHEDULE 3**  
**LONG GILT FUTURE DELIVERY INSTRUCTION FOR SELLERS (GILTS)**

06-MAR-2014

LCH LIMITED

Aldgate House, 33 Aldgate High Street, London, EC3N 1EA

Telephone +44 (0)20-7426 7000

Delivery Month: MAR 2014

Delivery to the Clearing House at CREST

Clearing Member: AAA

Subaccount: Client

From Clearing Member's Del Centre : CREST

AAA FUTURES LTD  
 TENDER HOUSE  
 FENCHURCH STREET  
 LONDON  
 FUTURES

Account No : 92506

Account Name : AAA

FSP : 107.41

Notice Date : 06-MAR-2014

Currency Id: : GBP

Settlement Date : 10-MAR-2014

Instr.	Clearing House Agent Name	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
	CREST	5172	14223446.64	GB0009997114	10,400,000.00	104

E. &amp; O.E

Registered in England No. 25932 Registered Office:

Aldgate House, 33 Aldgate High Street, London EC3N 1EA

A Recognised Clearing House under the Financial Services and Markets Act 2000



**SCHEDULE 4**  
**LONG GILT FUTURE DELIVERY INSTRUCTION FOR BUYERS (GILTS)**

06-MAR-2014

LCH LIMITED

Aldgate House, 33 Aldgate High Street, London, EC3N 1EA

Telephone +44 (0)20-7426 7000

Delivery Month: MAR 2014

Delivery to the Clearing House at CREST

Clearing Member: AAA Subaccount: Client

To Clearing Member's Del Centre : CREST

AAA FUTURES LTD  
 TENDER HOUSE  
 FENCHURCH STREET  
 LONDON

Account No : 92506  
 Account Name : AAA FUTURES

FSP : 107.41

Notice Date : 06-MAR-2014

Currency Id: : GBP

Settlement Date : 10-MAR-2014

Instr.	Clearing House Agent Name	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
	CREST	5172	14223446.64	GB0009997114	10,400,000.00	104

E. &amp; O.E

Registered in England No. 25932 Registered Office:

Aldgate House, 33 Aldgate High Street, London EC3N 1EA

A Recognised Clearing House under the Financial Services and Markets Act 2000

**SCHEDULE 5  
ACCOUNT SALE (EURO BUND)**

06-JUN-2014

**LCH LIMITED**

Aldgate House 33 Aldgate High Street London EC3N 1EA

Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH Limited

**GERMAN GOVT. BOND (EURO BUND) FUTURE**

Delivery Month : JUN 2014 Settlement Date : 10-JUN-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135051  
Coupon Rate : 5.250%  
Maturity Date : 04-JAN-2023

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
--------------	---	-----	---------------

E. & O.E.

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

**SCHEDULE 6  
INVOICE (EURO BUND)**

06-JUN-2014

## LCH LIMITED

Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH Limited

---

GERMAN GOVT. BOND (EURO BUND) FUTURE

Delivery Month : JUN 2014 Settlement Date : 10-JUN-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135051  
Coupon Rate : 5.250%  
Maturity Date : 04-JAN-2023

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.02
--------------	---	-----	---------------

E. &amp; O.E.

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

**SCHEDULE 7**  
**GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTION FOR SELLERS (EURO BUND)**

06-JUN-2014

LCH LIMITED

Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
 Telephone +44 (0)20-7426 7000

Delivery Month: JUN 2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
 TENDER HOUSE  
 FENCHURCH STREET

LONDON

FSP : 113.41  
 Currency Id: : EUR  
 Settlement Date : 10-JUN-2014

Delivery to the Clearing House at CED

From Clearing Member's Del Centre : CED

Agent Name : Clearstream  
Luxemburg

Agent No :  
 Account Name : AAA FUTURES  
 Account No : 40256  
 Notice Date : 06-JUN-2014

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
51	ClearstreamLuxemburg		18764	22,340,840.20	DE0001135051	20,300,000.00	203

E. &amp; O.E

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

**SCHEDULE 8  
GERMAN GOVT. BOND (EURO BUND) FUTURE DELIVERY INSTRUCTION FOR BUYERS (EURO BUND)**

06-JUN-2014

LCH LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA

Delivery from the Clearing House at CED

Delivery Month: JUN 2014  
Clearing Member: AAA Subaccount: Client

To Clearing Member's Delivery Centre : CED

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Agent Name : Clearstream Luxemburg  
Agent No :  
Account Name : AAA FUTURES  
Account No : 40256

FSP : 113.41

Notice Date : 06-JUN-2014

Currency Id: : EUR

Settlement Date : 10-JUN-2014

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
41	ClearstreamLuxemburg		18764	22,340,840.20	DE0001135051	20,300,000.00	203

E. & O.E

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

**SCHEDULE 9  
ACCOUNT SALE (BOBL)**

08-SEP-2014

LCH LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH Limited

---

GERMAN GOVT. BOND (BOBL) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135052  
Coupon Rate : 5.250%  
Maturity Date : 04-APR-2019

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
--------------	---	-----	---------------

E. &amp; O.E.

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

**SCHEDULE 10  
INVOICE**

08-SEP-2014

LCH LIMITED  
Aldgate House 33 Aldgate High Street London EC3N 1EA  
Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON EC3 4DR

In a/c with LCH Limited

---

**GERMAN GOVT. BOND (BOBL) FUTURE**

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:

Stock Code : DE0001135052  
Coupon Rate : 5.250%  
Maturity Date : 04-APR-2019

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
--------------	---	-----	---------------

E. &amp; O.E.

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

**SCHEDULE 11  
BOBL FUTURE DELIVERY INSTRUCTION FOR SELLERS**

08-SEP-2014

LCH LIMITED  
Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
Telephone +44 (0)20-7426 7000

Delivery Month:	SEP 2014	Delivery to the Clearing House at CED
Clearing Member:	AAA Subaccount: Client	From Clearing Members Del Centre : CED
AAA FUTURES LTD		Agent Name : Clearstream Luxemburg
TENDER HOUSE		Agent No :
FENCHURCH STREET		Account Name : AAA FUTURES
LONDON		Account No : 40256
FSP :	113.41	Notice Date : 08-SEP-2014
Currency Id:	EUR	
Settlement Date	: 10-SEP-2014	

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	StockCode	Nominal Value	Lots
51	ClearstreamLuxemburg		18764	22,340,840.20	DE0001135051	20,300,000.00	203

E. & O.E

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



**SCHEDULE 12**  
**BOBL FUTURE DELIVERY INSTRUCTION FOR BUYERS (BOBL)**

08-SEP-2014

LCH LIMITED

Aldgate House, 33 Aldgate High Street, London, EC3N 1EA

Telephone +44 (0)20-7426 7000

Delivery Month: SEP  
2014

Delivery from the Clearing House at CED

Clearing Member: AAA Subaccount: Client

To Clearing Member's Delivery : CED  
CentreAAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Agent Name : Clearstream Luxemburg

Agent No :  
Account Name : AAA FUTURES  
Account No : 40256  
Notice Date : 08-SEP-2014FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
41	Clearstream Luxemburg		18764	22,340,840.20	DE0001135052	20,300,000.00	203

E. &amp; O.E

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

**SCHEDULE 13  
ACCOUNT SALE (SCHATZ)**

08-SEP-2014

## LCH LIMITED

Aldgate House 33 Aldgate High Street London EC3N 1EA

Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH Limited

-----  
GERMAN GOVT. BOND (SCHATZ) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

Stock Code : DE0001135053  
Coupon Rate : 5.250%  
Maturity Date : 04-AUG-2016

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
--------------	---	-----	---------------

E. &amp; O.E.

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

**SCHEDULE 14  
INVOICE (SCHATZ)**

08-SEP-2014

## LCH LIMITED

Aldgate House 33 Aldgate High Street London EC3N 1EA

Telephone +44 (0)20-7426 7000 Fax +44 (0)20-7426 7001

Clearing Member : AAA Subaccount : House

Ref Id : 3

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON  
EC3 4DR

In a/c with LCH Limited

-----  
GERMAN GOVT. BOND (SCHATZ) FUTURE

Delivery Month : SEP 2014 Settlement Date : 10-SEP-2014

Tendered in fulfilment of 203 lots of:-

Stock Code : DE0001135053  
Coupon Rate : 5.250%  
Maturity Date : 04-AUG-2016

Nominal Value	:	EUR	20,300,000.00
EDSP	:		113.41
Price Factor	:		0.950491
Accrued Interest	:		2258.22

Countervalue	:	EUR	22,340,840.20
--------------	---	-----	---------------

E. &amp; O.E.

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

**SCHEDULE 15**  
**SCHATZ FUTURE DELIVERY INSTRUCTION FOR SELLERS (SCHATZ)**

08-SEP-2014

LCH LIMITED

Aldgate House, 33 Aldgate High Street, London, EC3N 1EA  
 Telephone +44 (0)20-7426 7000

Delivery Month: SEP 2014

Delivery to the Clearing House at CED

Clearing Member: AAA Subaccount: Client

From Clearing Member's Del Centre : CED

AAA FUTURES LTD  
 TENDER HOUSE  
 FENCHURCH STREET  
 LONDON

Agent Name : Clearstream Luxembourg

Agent No :

Account Name : AAA FUTURES

Account No : 40256

Notice Date : 08-SEP-2014

FSP : 113.41

Currency Id: : EUR

Settlement Date : 10-SEP-2014

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
51	Clearstream Luxembourg		18764	22,340,840.20	DE0001135053	20,300,000.00	203

E. &amp; O.E

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

**SCHEDULE 16**  
**SCHATZ FUTURE DELIVERY INSTRUCTION FOR BUYERS**

08-SEP-2014

LCH LIMITED

Aldgate House, 33 Aldgate High Street, London, EC3N 1EA

Telephone +44 (0)20-7426 7000

Delivery Month: SEP 2014

Clearing Member: AAA Subaccount: Client

AAA FUTURES LTD  
TENDER HOUSE  
FENCHURCH STREET  
LONDON

Delivery to the Clearing House at CED

From Clearing Member's Del Centre : CED

Agent Name : Clearstream Luxembourg

Agent No :

Account Name : AAA FUTURES

Account No : 40256

Notice Date : 08-SEP-2014

FSP : 113.41  
Currency Id: : EUR  
Settlement Date : 10-SEP-2014

Instr.	Clearing House Agent Name	Clearing House Agent No	Clearing House Account No	Countervalue	Stock Code	Nominal Value	Lots
41	Clearstream Luxembourg		18764	22,340,840.20	DE0001135053	20,300,000.00	203

E. & O.E

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