

VIA CFTC PORTAL

September 20, 2023

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

LCH Limited Self-Certification: Duo compression removal

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification revisions to its rules (“LCH Rules”) related to the removal of the “duo compression” functionality in the SwapClear Service.

Part I: Explanation and Analysis

LCH’s SwapClear Service offers compression options by which swap market participants can reduce the number of individual positions and overall notional value of a portfolio by combining or offsetting trades with compatible characteristics. One of these compression options is “duo compression”, whereby LCH will compress selected and eligible SwapClear contracts of two SwapClear members. This option has rarely been used by members and as such SwapClear is proposing to remove this functionality. Other compression options such as “solo compression”, “solo with blended rate” and “multi compression” offered via an Approved Compression Service Provider (ACSP) will continue to be offered. The LCH Rules will be updated to reflect the “duo compression” option removal. These revisions are in the General Regulations, Procedures 2C, FCM Regulations and FCM Procedures.

Part II: Description of Rule Changes

The LCH Rules have been updated to remove references to duo compression and associated definitions.

The changes to the LCH Rules are included as **Appendices I - IV** in black line form. The changes will be effective not earlier than October 3, 2023.

Part III: Core Principle Compliance

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

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Specifically, this change to the LCH Rules has potential relevance to Core Principle L (§39.21) (Public Information) under the CFTC regulations.

The changes described in this filing ensure that LCH meets the objectives of Core Principle L, including that, in addition to the applicable provisions of §39.21, LCH makes available any information that is relevant to participation in the clearing and settlement activities of LCH. LCH considered its regulatory requirements with respect to disclosure of public information and believes the inclusion of rules related to the SwapClear Service compression options in its publicly available rulebook reflects its compliance with Core Principle L and CFTC regulation §39.21. As a result, LCH believes these changes are consistent with the requirements of Core Principle L on Public Information under CFTC regulation §39.21.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

Part V: Opposing Views

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

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at lavannyan.mahalingam@lseg.com.

Yours sincerely,

Lavannyan Mahalingam
Regulatory Advisor
LCH Limited



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Appendix I
LCH General Regulations
Changed Pages



**GENERAL REGULATIONS OF
LCH LIMITED**

"Collateral Management Agreement"

means a collateral management agreement entered into between a Custodial Segregated Client, a Clearing Member and the Clearing House, which sets out (*inter alia*) the terms on which the Custodial Segregated Client may provide Collateral to the Clearing House in respect of the relevant Custodial Segregated Account

"Combined Omnibus Gross Segregated Clearing Clients"

means two or more Omnibus Gross Segregated Clearing Clients within the same Omnibus Gross Segregated Account who have elected to have their positions combined for the purposes of calculating applicable margin requirements (on a net basis as between such Omnibus Gross Segregated Clearing Clients as if such Omnibus Gross Segregated Clearing Clients together are a single Omnibus Gross Segregated Clearing Client for the purposes of the relevant calculations)

"Compression Clearing Member"

has the meaning assigned to it in General Regulation 56

"Compression Documentation"

means such documentation as may be prescribed from time to time by the Clearing House and/or any ACSP (where applicable) in relation to a Multilateral Compression Cycle or a SwapClear Clearing Member's participation in Multilateral Compression services, including:

~~(i) — for a Member Compression Cycle, such agreements and documents as the Clearing House may require from all relevant SwapClear Clearing Members in relation to Multilateral Compression in accordance with the relevant Compression Proposal;~~

~~ii)(i) —~~ for an ACSP Compression Cycle, such agreements and documents as may be required by the nominated ACSP and/or the Clearing House in order to allow a SwapClear Clearing Member to receive the services of the ACSP and participate in that ACSP Compression Cycle; and

~~ii)(ii) —~~ such other documentation as the Clearing House may prescribe from time to time in Procedures, user manuals or other guidance documentation regarding Multilateral Compression.

"market"	means a futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain Participants in that market, to provide clearing services on the terms of these Regulations and the Procedures
"Market Data"	has the meaning assigned to it in Chapter XIV(f)(i)
"market day"	means in respect of a commodity, a day on which the market on which that commodity is dealt in is open for trading
"Market Deviation Notice"	has the meaning assigned to it in Chapter XIV(l)
"Member" or "Clearing Member"	<p>(a) subject to (b) means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a Clearing Membership Agreement and the Procedures or a Co-operating Clearing House, where so agreed with the Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms "Member" and "Clearing Member" for the purposes of these Regulations, Default Rules and Procedures, do not mean a shareholder of LCH Limited or of any member of LCH Group</p> <p>(b) "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules (including the Rates Service DMP Annex and the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time</p>
"Member Compression Cycle"	means a Multilateral Compression Cycle requested by two or more SwapClear Clearing Members and agreed to by the Clearing House in relation to eligible SwapClear Contracts held by those requesting SwapClear Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP
"MER Buffer"	has the meaning assigned to it in the Procedures
"Minimum ForexClear Contribution"	means USD 5,000,000
"Minimum Non-Tolerance SwapClear Contribution"	means £10,000,000 (which, for the avoidance of doubt, excludes the £3,000,000 minimum amount payable by an SCM in respect of the SwapClear Tolerance Contribution Amount);

"Minimum RepoClear Contribution"	means GBP 2,000,000 at Clearing Member level
"Minimum RepoClear Contribution Member"	means an RCM in respect of which the Preliminary RepoClear Contribution calculated under Rule R2 of the RepoClear Default Fund Supplement, is equal to or less than the Minimum RepoClear Contribution for the time being
"Minimum SwapClear Contribution Member"	means an SCM in respect of which the SwapClear Non-Tolerance Contribution Amount calculated under paragraph (f) of Rule S1 of Part A of the Rates Service Default Fund Supplement is equal to or less than the Minimum Non-Tolerance SwapClear Contribution for the time being
"Multilateral Compression"	means the exercise in which some or all of the SwapClear Contracts submitted by two or more Compression Clearing Members either on their own account or with respect to a SwapClear Clearing Client, for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other SwapClear Contracts
"Multilateral Compression Cycle"	means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle
"Net Recovery"	means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Rule 19 Certificate in respect of losses arising upon the Defaulter's Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the Defaulter
"New Member"	means, on the day as at which any Contribution is to be calculated, any Clearing Member which either has become a Clearing Member, or has commenced clearing in respect of the relevant Service, since the immediately preceding day prescribed for calculating similar Contributions
"Nominated Group Member"	has the meaning assigned to it in Chapter XIV(k)
"Non-Affected ForexClear Option Clearing Member"	means a ForexClear Option Clearing Member that is not an Affected ForexClear Option Clearing Member

REGULATION 56 COMPRESSION; DECOMPRESSION

- (a) The Clearing House may ~~may~~ from time to time determine SwapClear Contracts that are eligible for compression or decompression in accordance with this Regulation 56 and the Procedures (such SwapClear Contracts, “**Eligible SwapClear Compression Contracts**”), which may include SwapClear Contracts that, inter alia, have substantially similar economic terms.
- (b) A SwapClear Clearing Member may submit a request to the Clearing House, in ~~accordance~~ ~~aeoordance~~ with the Procedures, to (1) compress and combine all such SwapClear Contracts ~~that~~ are registered (a) on the SwapClear Clearing Member’s own behalf to its Proprietary Account, (b) on behalf of the same SwapClear Clearing Client and to the same Client Account (which is not an Indirect Gross Account), or (c) on behalf of the same SwapClear Clearing Client and to the same Indirect Gross Sub-Account, or (2) decompress and separate selected Eligible SwapClear Compression Contracts registered on the SwapClear Clearing Member’s own behalf or on behalf of a SwapClear Clearing Client.
- (c) The Clearing House will effect the compression or decompression of Eligible SwapClear Compression Contracts by terminating the relevant Eligible SwapClear Compression Contracts and, in some instances, compressing or decompressing them, as the case may be, into one or more new SwapClear Contracts having a net future cash flow equal to the net future cash flow of such original Eligible SwapClear Compression Contracts (including, for the purposes of determining the net future cash flow of a SwapClear STM Contract, the payment obligations of the SwapClear Clearing Member and the Clearing House under the SwapClear STM Terms applicable to such SwapClear STM Contract). For the avoidance of doubt, in no circumstances can a SwapClear Contract registered in the Proprietary Account of a SwapClear Clearing Member be compressed or decompressed pursuant to this Regulation 56 with a SwapClear Contract registered in the Client Account of that SwapClear Clearing Member.
- (d) For the avoidance of doubt, the Clearing House may determine that SwapClear Contracts are Eligible SwapClear Compression Contracts even if (i) they have differing fixed or floating rates or (ii) they include at least one each of a SwapClear CTM Contract and a SwapClear STM Contract. SwapClear Contracts that are compressed shall be (a) aggregated if the position of the SwapClear Clearing Member is in the same direction on each such SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated) or (b) netted if the position of the SwapClear Clearing Member is in the opposite direction on two or more of each such SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment).
- (e) In most circumstances the SwapClear Contract (if any) that replaces the compressed Eligible SwapClear Compression Contracts shall have a notional amount equal to the net notional amount of the compressed Eligible SwapClear Compression Contracts, however, in some cases the replacement SwapClear Contracts will have an aggregate notional amount that is greater than the net notional amount of the compressed SwapClear Contracts, provided that in the event that the net notional amount and net future cash flows are equal to zero, compression shall result in no replacement SwapClear Contracts. The SwapClear Contracts that replace the decompressed Eligible SwapClear Compression Contracts shall (1) have substantially identical economic

terms, except for notional, as the relevant Eligible SwapClear Compression Contracts and (2) will be registered on the SwapClear Clearing Member's own behalf or on behalf of the SwapClear Clearing Client in whose name(s) such SwapClear Contracts were registered prior to the compression of such SwapClear Contracts. The Clearing House shall determine (in its sole discretion) whether Eligible SwapClear Compression Contracts that are the subject of a request for compression or decompression from the SwapClear Clearing Member may be compressed or decompressed, as the case may be. and, if such Eligible SwapClear Compression Contracts are compressed or decompressed, the Clearing House shall determine the resulting terms of the SwapClear Contract(s) (if any) that replaces the compressed or decompressed Eligible SwapClear Compression Contracts, as the case may be. Such determination shall be binding on the SwapClear Clearing Member, absent manifest error. It is a condition for compression or decompression of Eligible SwapClear Compression Contracts that the amount of Collateral that the Clearing House requires in respect of the original Eligible SwapClear Compression Contracts is equal to that which is required by the Clearing House in respect of the replacement SwapClear Contract(s).

Following the compression or decompression of Eligible SwapClear Compression Contracts pursuant to the Regulation 56, and in the event that the Clearing House considers in its sole discretion that the post-compression SwapClear Contracts have a "small notional amount," then the Clearing House may, upon written request by the relevant SwapClear Clearing Member, effect the termination of the SwapClear Contract(s) with a small notional amount. By making a request to terminate SwapClear Contracts in accordance with this Regulation 56(e), the relevant SwapClear Clearing Member shall be deemed to represent and warrant that: (i) such termination, if effected, will be in accordance with Applicable Law; and (ii) it consents to the termination of the relevant SwapClear Contracts.

- (f) If:
- (i) the SwapClear Contracts that are the subject of a SwapClear Clearing Member's compression or decompression request pursuant to the above comprise only SwapClear CTM Contracts, then the one or more SwapClear Contracts that come into existence immediately following, and as a result of, the compression or decompression shall all be SwapClear CTM Contracts;
 - (ii) the SwapClear Contracts that are the subject of a SwapClear Clearing Member's compression or decompression request pursuant to the above comprise only SwapClear STM Contracts, then the one or more SwapClear Contracts that come into existence immediately following, and as a result of, the compression or decompression shall all be SwapClear STM Contracts; and
 - (iii) the SwapClear Contracts that are the subject of a SwapClear Clearing Member's compression request pursuant to the above comprise both SwapClear CTM Contracts and SwapClear STM Contracts, then:
 - (A) the SwapClear Clearing Member's compression request pursuant to (a) above shall be deemed to be a STM Conversion Request in respect of those SwapClear Contracts that are SwapClear CTM Contracts, and accordingly Regulation 57A(n)-(q) (inclusive) shall apply; and

(B) it shall be a condition precedent to the occurrence of the compression requested under this Regulation 56 that the SwapClear CTM Contracts that are the subject of the SwapClear Clearing Member's compression request have been converted into SwapClear STM Contracts in accordance with Regulation 57A

~~(g)~~—In addition, the Clearing House may, from time to time in its absolute discretion, make available, in accordance with this Regulation 56 and/or the Procedures, Multilateral Compression on the basis of ~~a Multilateral Compression Cycle which is either:~~

~~(h)~~—an ACSP Compression Cycle, available to SwapClear Clearing Members and/or applicable FCM Clearing Members; ~~or~~

~~(h)~~—a Member Compression Cycle, where so requested by two Compression Clearing Members and agreed to by the Clearing House,

~~(g)~~ (each such SwapClear Clearing Member, a “**Compression Clearing Member**”).

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

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

(ii) ~~in relation to an ACSP Compression Cycle,~~ shall nominate those SwapClear Contracts (which may be SwapClear CTM Contracts, SwapClear STM Contracts or a combination of the same) that it wishes to make available for Multilateral Compression in accordance with the relevant Compression Documentation;

~~(iii)~~—~~in relation to a Member Compression Cycle, the relevant Compression Clearing Members shall provide to the Clearing House a Compression Proposal, determined in accordance with the Procedures;~~

~~(iv)~~~~(iii)~~ agrees and acknowledges that:³

(A) if the Terminating SwapClear Contracts that form part of the Compression Proposal comprise both SwapClear CTM Contracts and SwapClear STM Contracts, then:

(1) the SwapClear Clearing Member's identification of the SwapClear Contracts that it wishes to make available for Multilateral Compression pursuant to (ii) ~~and/or (iii)~~ above shall be deemed to be a STM Conversion Request in respect of those SwapClear Contracts so identified that are SwapClear CTM Contracts, and accordingly Regulation 57A—~~(nm)~~-~~(qp)~~ (inclusive) shall apply; and

- (2) it shall be a condition precedent to the occurrence of the Multilateral Compression requested under this Regulation 56 that the SwapClear CTM Contracts that are the subject of the proposed compression have been converted into SwapClear STM Contracts in accordance with Regulation 57A.
- (B) if the Terminating SwapClear Contracts that form part of the Compression Proposal comprise only SwapClear CTM Contracts, the Post-Multilateral Compression Contracts shall also all be SwapClear CTM Contracts; and
- (C) if the Terminating SwapClear Contracts that form part of the Compression Proposal comprise only SwapClear STM Contracts, the Post-Multilateral Compression Contracts shall also all be SwapClear STM Contracts:-

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

~~(vi)~~(v) agrees and acknowledges that the Multilateral Compression Cycle will operate, and Multilateral Compression shall take place, in accordance with this Regulation 56 and/or the Procedures, the relevant Compression Proposal as accepted by such Compression Clearing Member, relevant Compression Documentation (if any) and such other processes and procedures as may be notified by the Clearing House from time to time; and

~~(vii)~~(vi) warrants and represents that, ~~in the event that if~~ it provides or receives instructions to or from the Clearing House or to ~~or from~~ the ACSP with respect to a SwapClear Clearing Client and in connection with a Multilateral Compression Cycle, ~~that~~ it is authorised to provide or receive such instructions with respect to such SwapClear Clearing Client.

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

~~(i)~~(j) In any Multilateral Compression Cycle, Multilateral Compression shall only take place in accordance with the terms of a Compression Proposal which has been established and accepted by all participating Compression Clearing Members in accordance with this Regulation 56, FCM Regulation 46 and/or the Procedures, as applicable. Notwithstanding the other provisions of this Regulation 56, the Clearing House shall

determine (in its sole discretion) whether SwapClear Contracts proposed for inclusion in a Compression Proposal may be so included.

~~(m)~~(k) A Compression Proposal shall:

(i) ~~in relation to an ACSP Compression Cycle,~~ be generated by the nominated ACSP in accordance with the relevant Compression Documentation and details submitted to the ACSP by participating Compression Clearing Members and be communicated by the ACSP to each participating Compression Clearing Member in the manner contemplated in the relevant Compression Documentation for acceptance; and

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

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

~~(n)~~(l) Where it wishes to participate in a Multilateral Compression Cycle, each participating Compression Clearing Member shall confirm its acceptance of a Compression Proposal in the manner and by the time specified by the Clearing House or otherwise contemplated in the relevant Compression Documentation. In relation to an ACSP Compression Cycle, each participating Compression Clearing Member agrees and acknowledges that the ACSP's confirmation to the Clearing House that such Compression Clearing Member has confirmed its acceptance of the Compression Proposal, either on its own account or with respect to a SwapClear Clearing Client (including, where relevant, with respect to an Indirect Gross Sub-Account), to the ACSP shall constitute a binding acceptance by such Compression Clearing Member to the Clearing House for the purposes of this Regulation 56. Upon a Compression Clearing Member's acceptance of a Compression Proposal in accordance with this paragraph, either on its own account or with respect to a SwapClear Clearing Client (including, where relevant, with respect to an Indirect Gross Sub-Account), such Compression Clearing Member shall be irrevocably bound to the terms of that Compression Proposal and the Multilateral Compression contemplated thereunder.

~~(o)~~(m) The Clearing House may require margin, subsequent to a Compression Clearing Member's acceptance of a Compression Proposal but prior to the Compression Time, in connection with the Multilateral Compression Cycle and the Compression Clearing Member's positions thereunder.

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

- (i) shall be bound by and act in accordance with the terms of this Regulation 56, the Compression Documentation and any notifications made by the Clearing House or any nominated ACSP pursuant thereto;
- (ii) shall meet any margin calls from the Clearing House made prior to the Compression Time, and shall pay to the Clearing House any amounts that have become due and payable to the Clearing House under the SwapClear STM Terms at or prior to the Compression Time, in connection with the Multilateral Compression Cycle. Any such margin will be called, and any such amounts shall be paid, in accordance with the Procedures; and
- (iii) is bound by the terms of the Compression Proposal and the terminations and, where applicable, registrations of SwapClear Contracts comprised therein.

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

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

- (i) a Compression Clearing Member that has accepted a Compression Proposal is not eligible to participate in the relevant Multilateral Compression Cycle;
- (ii) any of the SwapClear Contracts included as a Post-Multilateral Compression Contract or a Terminating SwapClear Contract are not eligible for such Multilateral Compression Cycle; or

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

~~(iv)~~(iii) any Compression Clearing Member due to participate in a Multilateral Compression Cycle rejects the Compression Proposal or does not provide the margin, or make any other payments, as required by the Clearing House (a “**Rejecting Compression Clearing Member**”).

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

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

~~(u)~~(s) Without prejudice to any other provisions of these Regulations, in particular Regulation 45, or any Compression Documentation, neither the Clearing House, nor any other member of LCH Group shall have any liability whatsoever to any Compression Clearing Member or to any other person (including any SwapClear Clearing Client and any Indirect Clearing Client) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damages, losses, costs or expenses of whatsoever nature suffered or incurred by a Compression Clearing Member or any other person (including any SwapClear Clearing Client and any Indirect Clearing Client), as the case may be, as a result of:

(i) ~~as a result of~~ any action the Clearing House takes under this Regulation 56, whether in accordance with a Compression Proposal, in reliance on information provided by Compression Clearing Members or any ACSP or otherwise; or

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

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

~~(v)~~(t) An ACSP's liability in respect of its acts or omissions is subject to the relevant terms of the applicable Compression Documentation.

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

~~(x)~~(v) Notwithstanding any other provision of these Regulations or the terms of the SwapClear Contracts, the Clearing House may disclose details of any Compression Proposal and related details of Compression Clearing Members including (with respect to their Proprietary Accounts and Client Accounts) to any ACSP or otherwise as the Clearing House considers appropriate in order to facilitate a Multilateral Compression Cycle.

~~(y)~~(w) Where a Clearing Member is a Rejecting Compression Clearing Member with respect to a Multilateral Compression Cycle and acting with respect to one or more of its Client Accounts, the Clearing House may, in its sole discretion, prevent such Clearing Member from participating in future Multilateral Compression Cycles with respect to

its Client Account unless or until the Clearing House considers such Client Account operationally capable of doing so, in its sole discretion.

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

- (i) In order for a SwapClear Transaction executed by a Pre-Allocation Executing Party to be subject to post-registration allocation (such transaction, an “**Unallocated SCM SwapClear Transaction**”), the SwapClear Clearing Member that will be registering the Unallocated SCM SwapClear Transaction (such SwapClear Clearing Member, a “**Pre-Allocation SwapClear Clearing Member**”) must have notified the Clearing House that it wishes to establish an SCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such SCM SwapClear Suspension Sub-Account for the SwapClear Clearing Member.
- (ii) The SwapClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated SCM SwapClear Transaction (an “**Unallocated SCM SwapClear Contract**”) shall be registered in the SCM SwapClear Suspension Sub-Account. The beneficial owner of the Unallocated SCM SwapClear Contract shall be the unidentified SwapClear Clearing Client on whose behalf the Unallocated SCM SwapClear Transaction was executed.
- (iii) In order to allocate an Unallocated SCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation SwapClear Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an Approved Trade Source System, the SwapClear API or such other means as notified by the Clearing House. Clearing Members agree that Clearing Clients (including FCM Clients) may provide Allocation Notices to the Clearing House on their behalf via the SwapClear Portal.
- (iv) Where the foregoing delivery methods are unavailable, or in such other circumstances that the Clearing House deems appropriate, the Pre-Allocation Executing Party or Pre-Allocation SwapClear Clearing Member as the case may be may provide the Allocation Notice in the form of a direct written request, subject that the processing of an Allocation Notice received as a direct written request may take the Clearing House up to five (5) Business Days.
- (v) Where an Allocation Notice: (i) contains instructions that would result in the allocation of a notional value that is greater than the notional value of the Unallocated SCM SwapClear Contract to which such Allocation Notice relates; or (ii) does not relate to an Unallocated SCM SwapClear Contract; or (iii) seeks to allocate part of all of an Unallocated SCM SwapClear Contract to a Proprietary Account of a SwapClear Clearing Member other than the Pre-Allocation SwapClear Clearing Member, then such Allocation Notice shall be ineligible and shall be rejected by the Clearing House. For the avoidance of doubt, the Post-Allocation Clearing Member(s) need not be the same as the Pre-Allocation SwapClear Clearing Member. Unless or until the Clearing House receives an eligible Allocation Notice, the Unallocated SCM SwapClear Contract shall remain

in the Pre-Allocation SwapClear Clearing Member's SCM SwapClear Suspension Sub-Account and subject to the rules of the Clearing House.

- (vi) Following receipt of an eligible Allocation Notice, the Clearing House shall (following acceptance from the relevant Post-Allocation Clearing Member(s) and the Pre-Allocation SwapClear Clearing Member, in the same manner as a new SwapClear Transaction is accepted in accordance with the Procedures):
- (A) close out the outstanding Unallocated SCM SwapClear Contract and simultaneously register two or more (as applicable) SwapClear Contracts to the same SCM SwapClear Suspension Sub-Account, and these newly registered SwapClear Contracts shall have the same Economic Terms as the Unallocated SCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated SCM SwapClear Contract) – for the purpose of the foregoing, if the Allocation Notice has not allocated the full notional value of the Unallocated SCM SwapClear Contract, one of the SwapClear Contracts so registered by the Clearing House shall be a new Unallocated SCM SwapClear Contract with a notional value equal to that portion of the Unallocated SCM SwapClear Contract that has not been allocated; and
 - (B) following the actions described in paragraph (A) above, transfer one or more of the newly registered SwapClear Contracts resulting from the cancellation of the Unallocated SCM SwapClear Contract to the applicable Client Segregated Sub-Accounts, Client Account or Proprietary Account in accordance with the Allocation Notice. Following the transfer of one or more of the newly registered SwapClear Contracts, any remaining SwapClear Contract that has not been transferred shall thereafter be the Unallocated SCM SwapClear Contract.

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

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

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

- (vii) Subject to paragraph (viii) below, the transfer of an Unallocated SCM SwapClear Contract from the SCM SwapClear Suspension Sub-Account to a Client Segregated Sub-Account, Client Account or Proprietary Account shall be final. In no event can Unallocated SCM SwapClear Contracts be further allocated once they are transferred from the SCM SwapClear Suspension Sub-Account.
- (viii) Where an Unallocated SCM SwapClear Contract has been registered to an SCM SwapClear Suspension Sub-Account and is not allocated by the Pre-Execution Allocating Party or in such other circumstances that the Clearing House considers appropriate, the Pre-Allocation SwapClear Clearing Member may submit an Allocation Notice to the Clearing House requesting the transfer of the relevant Unallocated SCM SwapClear Contract to that SwapClear Clearing Member's Proprietary Account. A SwapClear Clearing Member, through requesting such transfer, shall be deemed to represent that such transfer is in accordance with Applicable Law and regulation and the SwapClear Clearing Member's contractual rights against the Pre-Allocation Executing Party or, if applicable, the Pre-Allocation Executing Party's underlying customer(s).
- (ix) Where an Unallocated SCM SwapClear Contract has been erroneously allocated to a Client Segregated Sub-Account or Client Account, the Clearing House will, in response to a written request from a Post-Allocation Clearing Member and subject to acceptance of the transfer by the relevant Pre-Allocation SwapClear Clearing Member, transfer a SwapClear Contract or FCM SwapClear Contract (as applicable) to the SCM SwapClear Suspension Sub-Account from which that SwapClear Contract was allocated. Following such transfer, the SwapClear Contract shall be treated as an Unallocated SCM SwapClear Contract, except that the provisions of FCM Regulation 46(o)(iv) shall not apply to it, such that an over-allocation will not be ineligible and will result in the allocation of the notional amount prescribed in an Allocation Notice. Any transfer pursuant to this paragraph (viii) must be requested within three Business Days of the original allocation to the relevant Client Segregated Sub-Account or Client Account. Through requesting a transfer pursuant to this paragraph (viii), the Post-Allocation Clearing Member shall be deemed to represent and warrant that the transfer is in accordance with Applicable Law.
- (x) The registration and allocation of Unallocated SCM SwapClear Contracts as set forth above is subject to all other applicable provisions of the Rulebook including, where applicable, and to the same extent as if an Unallocated SCM SwapClear Transaction or Allocation Notice were a new SwapClear Transaction with respect to the relevant account: (A) the provision by the Pre-Allocation SwapClear Clearing Member of adequate Margin in the SCM SwapClear Suspension Sub-Account at the time of registration of the Unallocated SCM SwapClear Contract; (B) the provision by the applicable Post-Allocation Clearing Member(s) of adequate Margin, at the time of the transfer of the relevant Unallocated SCM SwapClear Contract, in respect of each of the applicable Client Segregated Sub-Accounts, Client Accounts or Proprietary Account to which an Unallocated SCM SwapClear Contract is to be allocated. If adequate Margin is not so provided in respect of each Proprietary Account, Client Account and Client Segregated Sub-Account, the Clearing House may in its sole discretion, delay or reject the allocation and transfer all or any portions of the Unallocated SwapClear SCM Contract, and may take any other actions permitted under the Rulebook.

- (D) any other amounts which are payable by the Clearing House to the SwapClear Clearing Member on such Business Day (excluding any amounts which are Charged Cash Collateral),

and the amount payable on a Business Day to one party (the **Payee**) by the other party (the **Payer**) under Regulation 57A(k)(i) or (ii) (as applicable) shall be reduced by setting-off such amount against the amount (the **Other Amount**) payable by the Payee to the Payer under Regulation 57A(k)(i) or (ii) (as applicable). To the extent the Other Amount is so applied, the Other Amount will be discharged promptly and in all respects.

- (l) On each Business Day the Clearing House shall, to the extent that the following amounts are payable in the same currency and in respect of the same Client Account (that is not an Indirect Gross Account), Proprietary Account or Indirect Gross Sub-Account (as applicable) aggregate or set off (as applicable):
 - (i) the amount that is payable by either the SwapClear Clearing Member or the Clearing House following the operation of the payment netting provision under Regulation 57(d); and
 - (ii) the amount that is payable by either the SwapClear Clearing Member or the Clearing House following the operation of the payment netting provision under Regulation 57A(k),

and only the resulting aggregate or net amount shall be payable by either the SwapClear Clearing Member or the Clearing House (as applicable). To the extent one amount (the “**Smaller Amount**”) is applied and set off against another larger amount, such Smaller Amount will be discharged promptly and in all respects.

- (m) The Clearing House and the SwapClear Clearing Member agree that satisfaction of the payment obligation arising under the SwapClear STM Terms by either party shall discharge such obligation for the purpose of settling the then outstanding exposure under a SwapClear STM Contract.
- (n) A SwapClear Clearing Member (a “**Converting SwapClear Clearing Member**”) or a Clearing Client (including an FCM Client) on its behalf may, from time to time, submit a request, in such form as permitted by the Clearing House from time to time in its sole discretion, or, in the case of a compression of the type described in Regulation 56(~~fe~~)(iii) or Regulation 56(~~he~~)(iv)(A), a SwapClear Clearing Member or a Clearing Client (including an FCM Client) on its behalf shall be deemed to have submitted a written request (each such request, an “**STM Conversion Request**”) to the Clearing House requesting that the Clearing House converts one or more of its open SwapClear CTM Contracts to SwapClear STM Contracts. Such request shall identify those SwapClear CTM Contracts (the “**STM Conversion Contracts**”) which the SwapClear Clearing Member or a Clearing Client (including an FCM Client) on its behalf wishes to be converted to SwapClear STM Contracts. No open SwapClear CTM Contract shall be converted into a SwapClear STM Contract except as provided in this Regulation 57A or the Procedures.
- (o) Following its receipt of an STM Conversion Request made (or deemed to have been made) by a Converting SwapClear Clearing Member pursuant to (~~nm~~) above, the Clearing House may, in its sole and absolute discretion, nominate a Business Day (the

“**STM Conversion Date**”) from, and including which, some or all of the STM Conversion Contracts shall, subject to the satisfaction of the conditions specified in (pe) below, cease to be registered as SwapClear CTM Contracts and shall immediately and automatically become registered as SwapClear STM Contracts which are subject to this Regulation 57A and the SwapClear STM Terms. For the avoidance of doubt, if the Clearing House determines that it shall convert a SwapClear CTM Contract into a SwapClear STM Contract, such conversion shall be effected through the Clearing House and the Converting SwapClear Clearing Member agreeing to a modification of the terms of the relevant STM Conversion Contract, and such conversion shall not be effected through the Clearing House and the Converting SwapClear Clearing Member terminating the relevant STM Conversion Contract and entering into a new SwapClear STM Contract.

- (p) The occurrence of an STM Conversion Date in respect of an STM Conversion Contract shall be subject to the condition precedent that:
- (i) the Converting SwapClear Clearing Member is not a Defaulter;
 - (ii) no relevant SwapClear Clearing Client is insolvent;
 - (iii) the conversion of that STM Conversion Contract to a SwapClear STM Contract would not violate or result in the violation of any Applicable Law;
 - (iv) the Converting SwapClear Clearing Member has satisfied all of its obligations to meet any margin calls made by the Clearing House in respect of that STM Conversion Contract up to, but excluding, the STM Conversion Date. The Converting Clearing Member shall satisfy such margin calls in accordance with the Procedures and/or applicable Regulations, as would ordinarily be the case;
 - (v) the Converting SwapClear Clearing Member has paid to the Clearing House, or the Clearing House has paid to the Converting SwapClear Clearing Member (as applicable), any cash settlement amount that the Clearing House determines (in its sole and absolute discretion) must be paid to ensure that the net present value of the STM Conversion Contract shall be equal to zero on the STM Conversion Date. Such amounts shall be determined and paid by the relevant party in accordance with the Procedures. The Converting SwapClear Clearing Member and the Clearing House agree that the Clearing House may, in its sole and absolute discretion, apply any Collateral held by it in respect of a STM Conversion Contract to satisfy (in whole or in part) the Converting SwapClear Clearing Member’s obligation to pay the amount (if any) required under this Regulation 57A(pe)(v) in relation to that STM Conversion Contract. The Converting SwapClear Member and the Clearing House agree that any Collateral held by the Converting SwapClear Clearing Member in respect of a STM Conversion Contract shall be applied to satisfy (in whole or in part) the Clearing House’s obligation to pay the amount (if any) required under this Regulation 57A(pe)(v) in relation to that STM Conversion Contract; and
 - (vi) all other conditions stipulated by the Clearing House have been complied with in a manner satisfactory to it.



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TRADE

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Appendix II
LCH FCM Regulations
Changed Pages



FCM REGULATIONS OF THE CLEARING HOUSE

LCH LIMITED

(where such FCM Contract consists of positions “X” and “Y”), the Clearing House shall have position “Y” under the terms of such closing-out FCM Contract, and vice-versa.

“CMS” means the Clearing House’s collateral management system

“Collateral” means the cash, securities or other collateral or assets deposited with or to be deposited with (as the context may require) the Clearing House by an FCM Clearing Member or otherwise furnished to (including any proceeds therefrom) an FCM Clearing Member’s Proprietary Account or its FCM Omnibus Client Accounts with LCH for the purpose of margining, guaranteeing and/or securing (as Margin) FCM Contracts for such accounts, **provided, that** "Collateral" shall not include any Settlement Payment, to the extent such Settlement Payment is transferred in accordance with the FCM Regulations. The Clearing House will only credit deposited securities or other non-cash collateral or assets as Collateral to the extent such securities or other non-cash collateral or assets are acceptable forms of collateral as set forth in the FCM Procedures or as otherwise explicitly permitted by the Clearing House. For the avoidance of doubt, Collateral will not include, and will not be comprised of, an FCM Clearing Member’s Contribution.

“Commodity” or “commodity” means any “commodity” (as such term is defined in Section 1a(9) of the CEA and CFTC Regulation 1.3(e)) that is the subject matter of an FCM Exchange Contract or an FCM Listed Interest Rates Contract.

“Contribution” has the meaning assigned to it in the UK General Regulations, and as used herein refers to one or more of the Contributions of one or more FCM Clearing Members or Non-FCM Clearing Members, as the context may require.

“Compression Clearing Member” has the meaning assigned to it in Regulation 46(n)

“Compression Documentation” means such documentation as may be prescribed from time to time by the Clearing House and/or any ACSP (where applicable) in relation to a Multilateral Compression Cycle or a Compression Clearing Member’s participation in Multilateral Compression services, including:

~~(i) for a Member Compression Cycle, such agreements and documents as the Clearing House may require from all relevant Compression Clearing Members in relation to Multilateral Compression in accordance with the relevant Compression Proposal;~~

~~ii)(i)~~ ~~for an ACSP Compression Cycle~~, such agreements and documents as may be required by the nominated ACSP and/or the Clearing House in order to allow a Compression Clearing Member to receive the services of the ACSP and participate in that ACSP Compression Cycle; and

~~ii)(ii)~~ such other documentation as the Clearing House may prescribe from time to time in FCM Procedures, user manuals or other guidance documentation ~~_____~~ regarding Multilateral Compression.

“Compression Proposal” means, in relation to any Multilateral Compression Cycle, the final statement as to the proposed set of Terminating FCM SwapClear Contracts and the proposed set of resulting Post-Multilateral Compression Contracts, and, in relation to a Compression Clearing Member, references to Compression Proposal shall relate to such Terminating FCM SwapClear Contracts and Post-Multilateral Compression Contracts to which such Compression Clearing Member is or will become party.

“Compression Time” means, on the date designated by the Clearing House for a Multilateral Compression Cycle, the time at which the Clearing House effects a Multilateral Compression by terminating the Terminating FCM SwapClear Contracts and simultaneously registering the Post-Multilateral Compression Contracts in the names of the Compression Clearing Members participating in that Multilateral Compression Cycle in accordance with the Compression Proposal.

“Coupons” has the meaning assigned to such term in the FCM Procedures

“cover” means either Collateral, Margin or both, as the context may require as used in the FCM Rulebook.

“CVR” or “Collateral Value Report” has the meaning assigned to it in FCM Regulation 15(d)(ii).

“Cumulative Variation Settlement” has the meaning assigned to it in the FCM Procedures.

“Default” has the meaning assigned to it in the UK General Regulations.

“Defaulter” has the meaning assigned to it in rule 4 of the Default Rules.

“Listed Interest Rates Clearing Member”	means a person who is designated as such by the Clearing House pursuant to the UK General Regulations and who is not an FCM Clearing Member.
“Listed Interest Rates Contribution”	has the meaning assigned to it in the UK General Regulations.
“Listed Interest Rates Determination Date”	has the meaning assigned to it in the UK General Regulations.
“Lot”	means the standard unit or quantity prescribed as the trading unit of an FCM Contract by, as applicable: (i) an Exchange, with the approval of the Clearing House; or (ii) the relevant provisions of the FCM Product Specific Contract Terms and Eligibility Criteria Manual.
“Margin”	means, with respect to a particular account or accounts of an FCM Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts as margin for the margining of FCM Contracts in such account or accounts, as determined by the Clearing House in accordance with the FCM Rulebook.
“Member Compression Cycle”	means a Multilateral Compression Cycle requested by two or more Compression Clearing Members and agreed to by the Clearing House in relation to eligible FCM SwapClear Contracts held by those requesting Compression Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP.
“Multilateral Compression”	means the exercise in which some or all of the FCM SwapClear Contracts or Non-FCM SwapClear Contracts, as applicable, submitted by two or more Compression Clearing Members (either on their own behalf or on behalf of an Authorised Compression Client), as applicable, for inclusion in a Multilateral Compression Cycle are wholly terminated and, where relevant, replaced with other FCM SwapClear Contracts or Non-FCM SwapClear Contracts.
“Multilateral Compression Cycle”	means the process of Multilateral Compression in accordance with a Compression Proposal, whether by way of an ACSP Compression Cycle or a Member Compression Cycle.
“MER”	Has the meaning assigned to it in Section 2.1.3(c) of the FCM Procedures.
“Nominated FCM Client”	has the meaning assigned to it in the FCM Procedures.

rights and obligations under such FCM SwapClear Transaction which fall due for performance on or after the Registration Time;

- (ii) each FCM SwapClear Contract registered under FCM Regulation 46(j) above shall be governed by the FCM SwapClear Contract Terms as applicable to that FCM SwapClear Contract;
- (iii) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract as the party paying Rate X had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction; and
- (iv) subject to sub-paragraph (ii) above, in respect of the Economic Terms, the FCM Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM SwapClear Contract to which it is party as the party paying Rate Y had and owed in respect of its counterparty under the corresponding FCM SwapClear Transaction.

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

- (l) If an FCM SwapClear Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM SwapClear Contract arising under this FCM Regulation 46 or any other applicable provision of the FCM Rulebook.
- (m) In the case of an FCM SwapClear Contract registered by the Clearing House pursuant to rule 6(a) of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this FCM Regulation 46 shall take effect.
- (n) **Compression.**
 - (i) The Clearing House may from time to time determine FCM SwapClear Contracts that are eligible for compression or decompression in accordance with this Regulation 46(n) and the FCM Procedures (such FCM SwapClear Contracts, “**Eligible FCM SwapClear Compression Contracts**”), which may include FCM SwapClear Contracts that, inter alia, have substantially similar economic terms.
 - (ii) An FCM Clearing Member may submit a request to the Clearing House, in accordance with the FCM Procedures, to (1) ~~to~~ compress and combine all such FCM SwapClear Contracts that are either (i) registered on the FCM Clearing

- Member's own behalf or (ii) registered on behalf of the same FCM Client, or (2) decompress and separate selected Eligible FCM SwapClear Compression Contracts registered on the FCM Clearing Member's own behalf or on behalf of an FCM Client.
- (iii) The Clearing House will effect the compression or decompression of Eligible FCM SwapClear Compression Contracts by terminating the relevant Eligible FCM SwapClear Compression Contracts and, in some instances, compressing or decompression them, as the case may be, into one or more new FCM SwapClear Contracts having a net future cash flow equal to the net future cash flow of the original Eligible FCM SwapClear Compression Contracts.
 - (iv) For the avoidance of doubt, the Clearing House may determine that FCM SwapClear Contracts are Eligible FCM SwapClear Compression Contracts even if they have differing fixed or floating rates. FCM SwapClear Contracts that are compressed shall be (i) aggregated if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the same direction on each such FCM SwapClear Contract (i.e., obligations to make payment aggregated and rights to receive payment aggregated) or (ii) netted if the position of the FCM Clearing Member (on its own behalf) or the relevant FCM Client is in the opposite direction on two or more of each such FCM SwapClear Contracts (i.e., obligations to make payment netted against rights to receive payment).
 - (v) In most circumstances, the FCM SwapClear Contract (if any) that replaces the compressed Eligible FCM SwapClear Compression Contracts shall have a notional amount equal to the net notional amount of the compressed Eligible FCM SwapClear Compression Contracts, however, in some cases the replacement FCM SwapClear Contracts will have an aggregate notional amount that is greater than the net notional amount of the compressed FCM SwapClear Contracts, **provided that** that in the event that the net notional amount and net future cash flows are equal to zero, compression shall result in no replacement FCM SwapClear Contracts. The FCM SwapClear Contracts that replace the decompressed Eligible FCM SwapClear Compression Contracts shall (1) have substantially identical economic terms, except for notional, as the relevant Eligible FCM SwapClear Compression Contracts and (2) will be registered on the FCM Clearing Member's own behalf or on behalf of the FCM Client in whose name(s) such FCM SwapClear Contracts were registered prior to the compression of such FCM SwapClear Contracts.
 - (vi) The Clearing House shall determine (in its sole discretion) whether Eligible FCM SwapClear Compression Contracts that are the subject of a request for compression or decompression from the FCM Clearing Member may be compressed or decompression, as the case may be, and, if such Eligible FCM SwapClear Compression Contracts are compressed or decompression, the Clearing House shall determine the resulting terms of the FCM SwapClear Contract(s) (if any) that replaces the compressed or decompression Eligible FCM SwapClear Compression Contracts, as the case may be. Such determination shall be binding on the FCM Clearing Member, absent manifest error. It is a condition for compression or decompression of Eligible FCM SwapClear Compression Contracts that the amount of Margin that the Clearing House requires in respect of the original Eligible FCM SwapClear Compression

Contracts is equal to that which is required by the Clearing House in respect of the replacement FCM SwapClear Contract(s).

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

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

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

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

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

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

(B) ~~in relation to an ACSP Compression Cycle,~~ shall nominate those FCM SwapClear Contracts that it wishes to make available for Multilateral Compression in accordance with the relevant Compression Documentation;

~~(C) in relation to a Member Compression Cycle, shall together with the other requesting Compression Clearing Members, provide to the Clearing House details of the proposed Terminating FCM SwapClear Contracts and, where the Member Compression Cycle also includes the registration of Post Multilateral Compression Contracts, details of those FCM SwapClear Contracts (in such form as the Clearing House may~~

~~require from time to time) which shall, subject to the Clearing House's confirmation, constitute the Compression Proposal;~~

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

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

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

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

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

~~(xiii)~~(xi) In any Multilateral Compression Cycle, Multilateral Compression shall only take place in accordance with the terms of a Compression Proposal which has been established and accepted by all participating Compression Clearing Members, in accordance with this FCM Regulation 46 and/or Regulation 56 of the UK General Regulations, as applicable (either on their own behalf or on behalf of an Authorised Compression Client, where applicable). Notwithstanding the other provisions of this FCM Regulation 46, the Clearing House shall determine (in its sole discretion) whether FCM SwapClear Contracts proposed for inclusion in a Compression Proposal may be so included.

~~(xiv)~~(xii) A Compression Proposal shall:

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

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

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

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

~~(xvi)~~(xiv) The Clearing House may require margin, subsequent to a Compression Clearing Member's acceptance of a Compression Proposal but prior to the Compression Time, in connection with the Multilateral Compression Cycle and the Compression Clearing Member's positions thereunder.

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

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

- (B) shall meet any margin calls from the Clearing House made prior to the Compression Time, and shall pay to the Clearing House any amounts that have become due and payable to the Clearing House at or prior to the Compression Time, in connection with the Multilateral Compression Cycle. Any such margin will be called, and any such amounts shall be paid, in accordance with the FCM Procedures; and
- (C) is bound by the terms of the Compression Proposal and the terminations and, where applicable, registrations of FCM SwapClear Contracts comprised therein.

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

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

- (A) a Compression Clearing Member that has accepted a Compression Proposal is not eligible to participate in the relevant Multilateral Compression Cycle;
- (B) any of the FCM SwapClear Contracts included as a Post-Multilateral Compression Contract or a Terminating SwapClear Contract are not eligible for such Multilateral Compression Cycle;

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

~~(D)~~(C) any Compression Clearing Member due to participate in a Multilateral Compression Cycle rejects the Compression Proposal or does not provide the margin, or make any other payments, as required by the Clearing House (a “**Rejecting Compression Clearing Member**”); or

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

~~(xx)~~(xviii) When the Clearing House effects a Multilateral Compression, it shall terminate all Terminating FCM SwapClear Contracts and, where the Multilateral Compression includes the registration of Post-Multilateral Compression Contracts, simultaneously with and contingent upon the termination of such Terminating FCM SwapClear Contracts, shall register the Post-Multilateral Compression Contracts in the name of the relevant Compression Clearing Members (either in their respective Proprietary Account

or FCM Client Sub-Account, as applicable). The Clearing House shall notify the participating Compression Clearing Members once the Multilateral Compression has been effected. Compression Clearing Members are responsible for providing notifications to Authorised Compression Clients.

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

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

- (A) ~~as a result of~~ any action the Clearing House takes under this Regulation 46, whether in accordance with a Compression Proposal, in reliance on information provided by Compression Clearing Member or any ACSP or ~~otherwise; otherwise; or~~
- (B) ~~in relation to an ACSP Compression Cycle, as a result of~~ any action or omission of an ACSP, including, without limitation, any error or omission in the terms of any Compression Proposal; ~~or~~
- ~~(C) in relation to any Multilateral Compression Cycle, as a result of any action or omission of a participating Compression Clearing Member, including, without limitation, any error or omission in the terms of any Compression Proposal.~~

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

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

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

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

- (o) **SwapClear Accounts.** All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or to reflect any Margin other than in connection with FCM SwapClear Contracts.
- (p) **Unallocated FCM SwapClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:
 - (i) In order for a FCM SwapClear Transaction executed by a Pre-Allocation Executing Party and to be subject to post-registration allocation (such transaction, an “**Unallocated FCM SwapClear Transaction**”), the FCM Clearing Member that will be registering the Unallocated FCM SwapClear Transaction (such FCM Clearing Member, a “**Pre-Allocation FCM Clearing Member**”) must have notified the Clearing House that it wishes to establish a FCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such FCM SwapClear Suspension Sub-Account for the FCM Clearing Member.
 - (ii) The FCM SwapClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated FCM SwapClear Transaction (an “**Unallocated FCM SwapClear Contract**”) shall be registered in the FCM SwapClear Suspension Sub-Account. The beneficial owner of the Unallocated FCM SwapClear Contract shall be the unidentified FCM Client on whose behalf the Unallocated FCM SwapClear Transaction was executed.
 - (iii) In order to allocate an Unallocated FCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an FCM Approved Trade Source System, the SwapClear API or such other means as notified by the Clearing House. FCM Clearing Members agree that FCM Clients may provide Allocation Notices to the Clearing House on their behalf via the SwapClear Portal.



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Appendix III

Section 2C (SwapClear Clearing Service) of the LCH Procedures

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equal to the value of the Relevant Portion immediately prior to the reduction referred to in (i) immediately above.

1.15.9 *Verification and Reliance*

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

1.15.10 *Intra-Clearing Member Transfers*

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

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

- (e) the Permitted Transfer is permissible under Applicable Law and is not in violation of Applicable Law, and the SCM has obtained any and all necessary and appropriate consents, authorisations and approvals, and has taken any other actions required under Applicable Law in connection with the Permitted Transfer; and
- (f) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the Eligible Transferor or Eligible Transferee, as a result of any actions taken by the Clearing House in connection with the Permitted Transfer.

1.15.11 Fees

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

1.16 Compression

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

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

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

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

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

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

A SwapClear Clearing Member that elects to provide notices or reports to the Clearing House through any Approved Trade Source System specifying which Eligible SwapClear Compression Contracts should be compressed, have been compressed or any other information in relation to compressions acknowledges and agrees that (i) the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any Approved Trade Source System or the timeliness or otherwise of the delivery of any compression-

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

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

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

1.17 ~~Intentionally left blank~~ **Duo Compression**

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

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

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

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

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

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

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

~~SwapClear Clearing Members should contact swapeclear.clientservices@lch.com for further information.~~

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

(f) *Attribution of Auction Results*

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

(g) *Collateral*

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

1.28.10 *Rates Service Default Management Disclosure Notice*

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



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reconsider such compression request on subsequent days regardless of whether compression has occurred; or

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

Any request for the Clearing House to approve an FCM Approved Trade Source System for the purposes of this Section 2.1.11(a) must be made in writing and using the Clearing House's standard documentation. Through making a request, an FCM Clearing Member is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

- (b) In order to compress ~~an~~ Eligible FCM SwapClear Compression Contracts, an FCM Clearing Member must have in its applicable FCM Client Sub-Account or Proprietary Account two or more FCM SwapClear Contracts with the same compression identifier (being an identifier applied by the Clearing House that indicates that such FCM SwapClear Contracts are eligible for compression) and shall then follow the process for compression as set out above. By making a request to compress or decompress Eligible FCM SwapClear Compression Contracts, the relevant FCM Clearing Member shall be deemed to represent and warrant that its request is in compliance with Applicable Law.
- (c) In respect of each compression run (which, for the purposes of this Section 2.1.11, shall include the time at which the Clearing House effects the decompression of Eligible FCM SwapClear Compression Contracts, as applicable), the Clearing House will notify Clearing Members of the cut-off time by which the FCM Clearing Members must notify the Clearing House of the requested Eligible FCM SwapClear Compression Contracts to be compressed in order for such Eligible FCM SwapClear Compression Contracts to be included in the relevant compression run. The Clearing House shall process the compression of all Eligible FCM SwapClear Compression Contracts notified to it prior such cut-off time. A notification received after the relevant cut-off time shall be treated as if such notification was submitted on the following day. The Clearing House shall notify the applicable FCM Clearing Member after the relevant compression run of the result of such compression procedure. An FCM Clearing Member may, with the prior approval of the Clearing House and pursuant to the Procedures, elect to receive such notification via any FCM Approved Trade Source System previously approved by the Clearing House for such purpose.

Any request for the Clearing House to approve an FCM Approved Trade Source System for the purposes of this Section 2.1.11(c) must be