



VIA EMAIL TO: SUBMISSIONS@CFTC.GOV

21 November 2013

Ms. Melissa Jurgens
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet LLC ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rulebook to provide for a new workflow in respect of the registration of transactions that are executed on swap execution facilities ("SEFs") or designated contract markets ("DCMs") that have been approved by LCH.Clearnet. The rulebook changes will be implemented and effective on 9 December 2013. LCH.Clearnet is also issuing a circular to clarify that, during a brief transition period, the existing workflow will continue to apply to certain SEF or DCM transactions.

Please find attached as appendices the Submission Cover Sheet, draft circular, and relevant changes to the LCH.Clearnet rulebook.

Part I: Explanation and Analysis

Due to recent Commission guidance, LCH.Clearnet is undertaking changes to its trade workflow in respect of the registration of transaction that are executed on SEFs or DCMs ("execution venues") that are approved by LCH.Clearnet.

LCH.Clearnet is amending its Rulebook to provide for a new workflow in respect of the registration of SwapClear Transactions that are executed on SEFs or DCMs that have been approved by LCH.Clearnet (defined as "US Trading Venues"). Such amendments envisage that each Clearing Member will co-ordinate with LCH.Clearnet to establish a list of eligible US Trading Venues for such member (the "Eligible US Trading Venues"). Changes have been included to provide that where a SwapClear Transaction submitted to LCH.Clearnet for clearing on behalf of a Clearing Member is executed on an execution venue that has been approved by LCH.Clearnet and is an Eligible US Trading Venue in respect of such Clearing Member, such SwapClear Transaction will be accepted by LCH.Clearnet on behalf of such member, and such member shall not receive a notice requesting acceptance of such transaction for registration. Where an execution venue has not been approved by LCH.Clearnet or is not an eligible execution venue in respect of such Clearing Member, such transaction will be rejected by LCH.Clearnet. The amendments also include additional limitations on liability with respect to the submission and registration of SwapClear Transactions via a US Trading Venue.



Additionally, LCH.Clearnet is issuing a circular to clarify that between the effective date of the rule amendments and December 22, 2013, each Clearing Member may, in accordance with the requirements of LCH.Clearnet, designate one or more execution venues as "Selected US Trading Venues" in respect of such member. During this time, LCH.Clearnet Ltd shall continue to apply the legacy workflow to transactions executed on an execution venue that is reflected in LCH.Clearnet Ltd's internal records as being a Selected US trading Venue. This is solely to facilitate the transition to the new workflow.

Part II: Description of Rule Changes

The implementation of these changes requires amendments to Definitions and Regulation 401(c) of the Clearing House Regulations and 2A.3.1, 2A.3.2, 2A.3.4.1, 2A.3.4.2, 2A.3.5, and 2A.3.7 of the Clearing House Procedures. The relevant pages of the rulebook are attached at Appendix III.

Part III: Core Principle Compliance

The changes described above relate primarily to LCH.Clearnet's compliance with Core Principle D (Risk Management), and are designed to ensure compliance with recent Commission guidance. LCH.Clearnet will continue to comply with all Core Principles following the introduction of these changes and has concluded that its compliance with the Core Principles would not be adversely affected by these changes.

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at: http://www.lchclearnet.com/rules_and_regulations/lc/default.asp.

Part V: Opposing Views

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

Certification

LCH.Clearnet LLC hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at susan.milligan@lchclearnet.com.

Yours sincerely,

A handwritten signature in black ink that reads 'Susan Milligan' followed by a horizontal line.

Susan Milligan
Interim Chief Compliance Officer, LCH.Clearnet LLC
US Contact: +1 212.513.8264



Appendix I
Submission Cover Sheet

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLLC Date: 21 Nov 13

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION LCH.Clearnet LLC

FILING AS A: DCM SEF DCO SDR ECM/SPDC

TYPE OF FILING

• Rules and Rule Amendments

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

• Products

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

Clearing House Regulations – Definitions and Regulation 401(c).
Clearing House Procedures – 2A.3.1, 2A.3.2, 2A.3.4.1, 2A.3.4.2, 2A.3.5, and 2A.3.7.

DESCRIPTION

LCH.Clearnet LLC is amending its Rulebook to provide for a new workflow in respect of the registration of transactions that are executed on swap execution facilities or designated contract markets that have been approved by LCH.Clearnet.



Appendix II
LCH.Clearnet LLC Circular

DRAFT

Company Circular No.: LCH.Clearnet LLC Circular No.

Date: 9 December 2013

To: All LCH.Clearnet LLC Members

LCH.Clearnet LLC has amended its Rulebook to provide for a new workflow in respect of the registration of transactions that are executed on swap execution facilities or designated contract markets (“execution venues”) that have been approved by LCH.Clearnet LLC. Such amendments envisage that each Clearing Member will co-ordinate with LCH.Clearnet LLC to establish a list of eligible execution venues for such member. If a transaction submitted to LCH.Clearnet LLC for clearing on behalf of a Clearing Member is executed on an execution venue that:

- (a) either has not been approved by LCH.Clearnet LLC or is not an eligible execution venue in respect of such Clearing Member, such transaction will be rejected by LCH.Clearnet LLC; and
- (b) has been approved by LCH.Clearnet LLC and is an eligible execution venue in respect of such Clearing Member, such transaction will be accepted by LCH.Clearnet LLC on behalf of such member, and such member shall not receive a notice requesting acceptance of such transaction for registration (unlike the legacy workflow).

Notwithstanding the above, for the period up to December 22, 2013, each Clearing Member may, in accordance with the requirements of LCH.Clearnet LLC, designate one or more execution venues as “Selected US Trading Venues” in respect of such member. For the duration of such period, LCH.Clearnet LLC shall continue to apply the legacy workflow to transactions executed on an execution venue that is reflected in LCH.Clearnet LLC’s internal records as being a Selected US Trading Venue. This is solely to facilitate transition to the new workflow, and Clearing Members are reminded of their obligations under CFTC Rules 1.73 and 23.609.

The self-certification of the Rulebook amendments can be accessed through the following link: [xx]

For queries please contact:

SwapClear SEF Onboarding | LCH.Clearnet | Tel + 1 212 513 5604

Email: swapclearATSSonboarding@lchclearnet.com

Website: www.lchclearnet.com

Oscar Rodriguez oscar.rodriquez@lchclearnet.com



Appendix III
LCH.Clearnet LLC Rulebook

Definitions and Interpretation

I. Definitions:

In the LCH.Clearnet LLC Rulebook (referred to herein as the “**Rulebook**”) the following words and expressions shall have the following meanings, except as the context may otherwise require:

“**Account Manager Executing Party**” means an Executing Party that is eligible under the CEA and the CFTC Regulations to execute Unallocated SwapClear Transactions.

“**Affiliate**” means, with respect to a Clearing Member, any entity that controls, is controlled by or is under common control with such Clearing Member, and the account of which, when carried by the Clearing Member, would be considered a proprietary account pursuant to CFTC Regulation 1.3(y) (or any such successor or replacement regulation).

“**AIP**” has the meaning assigned to it in Regulation 204(b)(iv)(A).

“**Allocation Notice**” has the meaning assigned to it in Regulation 401(m)(iii).

“**Amendment**” has meaning assigned to it in Regulation 321(a).

“**Approved Trade Source System**” means a system or facility, such as an exchange, a clearing house, a swap execution facility, a designated contract market, trade affirmation or routing system or other similar venue or system, approved by the Clearing House for ~~executing Transactions and/or~~ presenting ~~such~~ Transactions to the Clearing House. For the avoidance of doubt, the “SwapClear API” is not an Approved Trade Source System.

“**Auction**” means the process of bidding by Clearing Members for an Auction Portfolio prescribed by the Clearing House following consultation with the DMG from time to time in accordance with Regulation 204(b)(iii).

“**Auction Currency**” means in relation to an Auction, the currency of an Auction Portfolio which is the subject of that Auction.

“**Auction Losses**” has the meaning assigned to it in Regulation 204(b)(v)(B).

“**Auction Portfolio**” means (i) a Portfolio; or (ii) a group of Contracts resulting from the splitting of a Portfolio pursuant to Regulation 204(b) including any connected hedging trades concluded by the Clearing House through Risk Neutralization.

“**Automatic Early Termination Event**” means any event set forth in Regulation 203(h) to Regulation 203(o) which satisfies certain criteria (including but not limited to the jurisdiction of incorporation of a Clearing Member) that may from time to time be published by the Clearing House in a circular to Clearing Members.

“**Bankruptcy Code**” means the U.S. Bankruptcy Code.

“**Block IRS Trade**” means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.

“**Default**” means the issue, in respect of a Clearing Member, of a Default Notice as provided for by Regulation 202 or the occurrence, in respect of a Clearing Member, of an Automatic Early Termination Event.

“**Default Fund**” has the meaning assigned to it in Regulation 301(b).

“**Default Fund Regulations**” means the portion of these Regulations set out in Chapter 3.

“**Default Regulations**” means the portion of these Regulations set out in Chapter 2.

“**Default Loss**” has the meaning assigned to it in Regulation 305(b).

“**Default Management Process**” means the processes of the Clearing House outlined in the Default Regulations, as the same may be supplemented and/or amended from time to time in accordance with the Rulebook.

“**Default Management Process Completion Date**” means the date when the Default Management Process in relation to a Default has been completed as determined by the Clearing House in consultation with the DMG and notified to all Clearing Members.

“**Default Notice**” has the meaning assigned to it in Regulation 202.

“**Default Period**” has the meaning assigned to it in Regulation 303(a).

“**Defaulter**” or “**Defaulting Clearing Member**” means a Clearing Member in respect of whom either (i) the Clearing House has issued a Default Notice under Regulation 202 or (ii) an Automatic Early Termination Event has occurred.

“**Determination Date**” has the meaning assigned to it in Regulation 303(a).

“**Derivatives Clearing Organization**” means an organization designated and registered as such by way of 7 U.S.C.A. § 1a(15).

“**DF Collateral Agent**” has the meaning assigned to it in Regulation 322(b)(i).

“**DF Security and Intercreditor Agreement**” has the meaning assigned to it in Regulation 322(b)(i).

“**DMG**” means the advisory Default Management Group which relates to both the SwapClear US Service and the SwapClear service of LCH.Clearnet Ltd., established jointly by the Clearing House and LCH.Clearnet Ltd. pursuant to the terms of Regulation 204(i) and the applicable provisions of the rules and regulations of LCH.Clearnet Ltd.

“**Economic Terms**” means that part of the SwapClear Contract Terms designated as Economic Terms by the Clearing House from time to time.

“**Eligible US Trading Venue**” means, in respect of a Clearing Member, a US Trading Venue for which the Clearing House’s records reflect that such Clearing Member has completed the Clearing House’s process for enabling the Clearing Member to be eligible to submit (or have submitted on its behalf) a transaction executed on such US Trading Venue to the Clearing House for registration.

“Tolerance Contribution Amount” has the meaning assigned to it in Regulation 303(f).

“Tolerance Utilization” means, in respect of each Clearing Member, the value of the SwapClear Tolerance utilized by that Clearing Member at any particular time, as determined by the Clearing House in its sole discretion.

“Tolerance Weight” has the meaning assigned to I in Regulation 303(e).

“Termination Amount” has the meaning assigned to it in Regulation 117(d)(iv).

“Transaction” means a SwapClear Transaction.

“Unallocated Excess” has the meaning assigned to it in Regulation 106(g)(v)(A).

“Unallocated Excess Sub-Account” has the meaning assigned to it in Regulation 106(g)(iii).

“Unallocated SwapClear Contract” has the meaning assigned to it in Regulation 401(m)(ii).

“Unallocated SwapClear Transaction” has the meaning assigned to it in Regulation 401(m)(i).

“Unfunded Contribution” has the meaning assigned to it in Regulation 315.

“Unfunded Contribution Notice” has the meaning assigned to it in Regulation 315.

“US Trading Venue” means a swap execution facility or designated contract market registered as such with the CFTC which the Clearing House has approved for the purposes of having transactions executed thereon submitted to the Clearing House for registration. For the avoidance of doubt, a US Trading Venue need not be an Approved Trade Source System.

“US Trading Venue Transaction” means, in respect of a Clearing Member, a transaction recorded in the Clearing House’s systems (via applicable messaging from the relevant US Trading Venue, Approved Trade Source System or otherwise) as a transaction that was executed on a swap execution facility or designated contract market that, as at the time of such execution, was an Eligible US Trading Venue in respect of such Clearing Member.

“Variation Margin” means the amount payable by a Clearing Member to the Clearing House or by the Clearing House to a Clearing Member, as applicable, in respect of, and in the amount of, the Clearing House’s variation margin requirements (as published from time to time by the Clearing House) in respect of a Contract and with reference to the change in the NPV of such Contract over a particular period of time.

“Voluntary Payment” has the meaning assigned to it in Regulation 319.

“Voluntary Payment Notice” has the meaning assigned to it in Regulation 319.

“Withdrawal Date” means the date upon which the Clearing House determines to withdraw the SwapClear US Service, in accordance with the Rulebook.

CHAPTER 4 – SWAPCLEAR REGULATIONS

Regulation 401 SwapClear Transactions; Registration of SwapClear Contracts; Novation and Post-Novation Compression

- (a) A SwapClear Transaction may be presented to the Clearing House for registration as two SwapClear Contracts (in accordance with the other provisions of the Rulebook).
- (b) Where a SwapClear Transaction is presented to the Clearing House, the Clearing House shall, where applicable in accordance with paragraph (c) below and the Procedures, request the consent of each applicable Clearing Member with whom a SwapClear Contract shall be registered as a result thereof. Upon each relevant Clearing Member providing its consent, such SwapClear Transaction shall be deemed to have been “submitted” (as such term is defined and used in the Procedures) to the Clearing House for registration. Any consent shall be provided in accordance with the Procedures.
- (c) A Clearing Member which has been nominated to clear a SwapClear Contract arising from the registration of a SwapClear Transaction on behalf of a third party Executing Party, other than a SwapClear Dealer, will (only where such SwapClear Transaction is not a US Trading Venue Transaction) be notified by the Clearing House of the relevant SwapClear Transaction and shall choose whether to grant or refuse consent to the registration of such SwapClear Transaction and the SwapClear Contracts resulting from such SwapClear Transaction. Unless provided otherwise in the Procedures, in all circumstances other than those set out in the foregoing sentence and in respect of a SwapClear Transaction that is a US Trading Venue Transaction, the consent of a Clearing Member to the registration of the relevant SwapClear Transaction will occur automatically and without the need for any further action by such Clearing Member.
- (d) The Clearing House shall register or reject the registration of two SwapClear Contracts in respect of a SwapClear Transaction presented for registration subject to, and in accordance with, these Regulations and the Procedures as quickly as would be technologically practicable if fully automated systems were used (the standard required in Part 39 of the CFTC Regulations); provided, that:
- (i) both sides of the relevant SwapClear Transaction have been properly presented and submitted for clearing by (or on behalf of the) the Executing Parties;
 - (ii) the relevant SwapClear Transaction meets the eligibility criteria prescribed in the Rulebook at the time the particulars of the SwapClear Transaction are presented to the Clearing House and continues to meet such criteria at the Registration Time;
 - (iii) such SwapClear Contract is consented to by the relevant Clearing Member (to the extent such consent is required) in accordance with paragraph (c) above and Section 2A.3.2 of the Procedures;
 - (iv) the applicable Clearing Member has paid or transferred, upon request of the Clearing House and in accordance with Regulation 106 and such other

US Service, will be available online for inspection and for file download from the clearing member reporting system (see Section 2A.1.3).

2A.3 **Registration**

2A.3.1 **Executing Parties and Presentation for Clearing**

A SwapClear Transaction may be entered into by and presented for clearing by, or on behalf of, any Executing Party, including Clearing Members (or a branch office of a Clearing Member), SwapClear Dealers, Affiliates and Clients.

The Clearing House receives details of a new eligible SwapClear Transaction using agreed format messages via an Approved Trade Source System. The Approved Trade Source System will send details of a SwapClear Transaction to the Clearing House once it has been bi-laterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on a US Trading Venue or other similar venue or facility, and will confirm which Clearing Member(s) has been elected to register the SwapClear Transaction. For the avoidance of doubt, an Executing Party may appoint a third party to present details of a SwapClear Transaction to the Clearing House on its behalf.

2A.3.2 **Clearing House Notification**

In the case of a Clearing Member which has been nominated to register a SwapClear Transaction on behalf of a third party Executing Party other than a SwapClear Dealer, the Clearing House will (only where such SwapClear Transaction is not a US Trading Venue Transaction) provide notification to such Clearing Member of the relevant SwapClear Transaction and the fact that it has been so nominated, via member reports, the SwapClear API or otherwise (the “**Notification**”). Where a SwapClear Clearing Member is nominated to clear both SwapClear Contracts arising from the registration of such a SwapClear Transaction, such SwapClear Clearing Member will receive two separate Notifications from the Clearing House in relation to such SwapClear Transaction.

In respect of a SwapClear Transaction that is not a US Trading Venue Transaction, following receipt of a Notification, a Clearing Member may choose to accept or refuse consent to register the SwapClear Transaction. It is a condition for registration of such a SwapClear Transaction that a Clearing Member grants a separate consent in respect of each Notification received by it in relation to the registration of ~~the relevant such~~ SwapClear Transaction. The Clearing House has an automated system which it operates on each business day (currently at or around 15:00 hours) for the purposes of rejecting SwapClear Transactions which have been presented for clearing but in respect of which any consent to a Notification (each a “**Necessary Consent**”) has not been notified to the Clearing House prior to the LCH Cut-off Time. The “**LCH Cut-off Time**” in respect of a SwapClear Transaction will be the time on the Business Day following the day when the relevant SwapClear Transaction was presented for clearing at which the reject system is operated by the Clearing House and the relevant SwapClear Transaction is itself rejected by such system. If a Clearing Member has not notified the Clearing House of a Necessary Consent by the LCH Cut-off Time, it will be deemed to have rejected the relevant SwapClear Transaction. Any Necessary Consent of a SwapClear Transaction

notified by a Clearing Member to the Clearing House prior to the LCH Cut-off Time is irrevocable. Any Necessary Consent notified by a Clearing Member to the Clearing House after the LCH Cut-off Time shall be invalid.

In circumstances where the registration of a SwapClear Transaction is conditional upon one or more Necessary Consent(s) being notified to the applicable Clearing Member(s), the relevant SwapClear Transaction shall be deemed to have been “submitted” to the Clearing House by each such Clearing Member at the time when it notifies the Clearing House of its Necessary Consent. In all other circumstances, a SwapClear Transaction shall be “submitted” to the Clearing House by the applicable Clearing Member upon being presented to the Clearing House for clearing by or on behalf of such Clearing Member (or its branch) or by or on behalf of a SwapClear Dealer (acting in such capacity with respect to the relevant SwapClear Transaction) approved to clear SwapClear Transactions through the relevant Clearing Member.

In accordance with Section 2A.3.4 of these Procedures, it is a condition for registration of a SwapClear Contract that the applicable Clearing Member has complied with all requirements to furnish sufficient Margin (taking into account SwapClear Tolerance, if any) to the Clearing House as of the time of “submission” or “deemed submission” of the SwapClear Transaction to which the SwapClear Contract relates, except that such Margin shall be required to be furnished prior to registration as a condition thereto only if such SwapClear Contract results from a SwapClear Transaction that is a Block IRS Trade. For the avoidance of doubt, in respect of the registration of a SwapClear Transaction that is a Block IRS Trade, both Clearing Members must have complied with all requirements to furnish sufficient Margin (taking into account SwapClear Tolerance, if any) at the time when both SwapClear Contracts relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable).

2A.3.3 **Trade Registration Facilitation: SwapClear Tolerance and Minimum Excess Requirement (“MER”)**

In order to facilitate the registration of new SwapClear Transactions by Clearing Members, the Clearing House may require the furnishing of additional Margin from those Clearing Members participating in the MER Arrangements (as defined below) at the relevant time and may offer SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set MER requirements (where applicable) and SwapClear Tolerance Limits (as defined below) based on a number of factors, including a Clearing Member’s credit rating and risk profile, an analysis of the incremental risk registered by a Clearing Member during an historic look-back period and, in the case of the overall value of the SwapClear Tolerance which may be made available to a Clearing Member, whether the Clearing Member is a participant in the MER Arrangements at the relevant time. However, the Clearing House sets MER requirements and SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different Clearing Members.

SwapClear Tolerance:

The Clearing House will calculate MER for each participating Clearing Member using the same methodology and will publish such methodology to Clearing Members. The Clearing House will provide 30 days' notice before implementing any changes to the methodology used for calculating MER.

Clearing Members are not required to participate in the MER Arrangements unless and until they elect to do so. In the event that a Clearing Member wishes to change its participation status (the "**Participation Status**") from opting in to the MER Arrangements to opting out, or vice versa, it should contact the Clearing House to request applicable documentation (swapclear.clientservices@lchclearnet.com). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. A Clearing Member's Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of a Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each Clearing Member participating in the MER Arrangements will be called for MER Margin separately in respect of its Proprietary Account and/or its Omnibus Client Swaps Account with LCH. MER Margin required by the Clearing House is part of a Clearing Member's required Initial Margin. Hence, for the avoidance of doubt, failure to deliver MER when required by the Clearing House will constitute a breach of these Procedures and the Regulations. MER Margin furnished to an Omnibus Client Swaps Account with LCH is credited to its Buffer Sub-Account, and treated as Buffer. Any Buffer (but not including Encumbered Buffer) maintained in an Omnibus Client Swaps Account with LCH at End of Day is credited towards the satisfaction of any MER requirements applicable to such account during the End of Day margin run.

As SwapClear Contracts are registered to a Clearing Member's relevant accounts, the Clearing House will apply any available MER Margin (which is treated as Buffer when held in an Omnibus Client Swaps Account with LCH) as Initial Margin in respect of such newly registered SwapClear Contracts prior to utilizing any available SwapClear Tolerance (if any).

At each End of Day margin run, the Clearing House will recalculate and call, on an account by account basis, Required Margin in respect of the MER requirements applicable to each Clearing Member participating in the MER Arrangements on such day.

2A.3.4 **Approved Trade Source Systems and US Trading Venues**

2A.3.4.1 Approved Trade Source Systems

Currently the Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg and Tradeweb. Where the Clearing House

THROUGH THE UNAUTHORIZED GRANTING OF A NECESSARY CONSENT.

2A.3.4.2 US Trading Venues

While the Clearing House receives details of a SwapClear Transaction via an Approved Trade Source System pursuant to Section 2A.3.1 of these Procedures, such Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by a US Trading Venue (where such SwapClear Transaction is executed on such US Trading Venue). Additionally, the Clearing House may rely on details relating to a SwapClear Transaction obtained from a US Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 401. In this regard, the Clearing House may direct the US Trading Venues to use prescribed format messages or classifications.

NOTWITHSTANDING THE APPROVAL BY THE CLEARING HOUSE OF ANY US TRADING VENUE, THE CLEARING HOUSE MAKES NO WARRANTY (AND WILL ACCEPT NO LIABILITY) AS TO THE EFFECTIVENESS, EFFICIENCY, PERFORMANCE OR ANY OTHER ASPECT OF THE SERVICES PROVIDED BY ANY US TRADING VENUE OR THE TIMELINESS OR OTHERWISE OF THE DELIVERY OF ANY SWAPCLEAR TRANSACTION DETAILS BY THAT US TRADING VENUE TO THE CLEARING HOUSE. SUCH MATTERS FORM PART OF THE RELATIONSHIP BETWEEN THE CLEARING MEMBERS AND THAT US TRADING VENUE.

The Clearing House will process any SwapClear Transaction reported to it by a US Trading Venue on an “as is” basis and, subject to the Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and the relevant US Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the US Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

THE CLEARING HOUSE ACCEPTS NO LIABILITY FOR ANY ERROR WITHIN OR CORRUPTION OF ANY DATA SENT BY A USE TRADING VENUE TO THE CLEARING HOUSE OR TO A CLEARING MEMBER OR ANY DELAY IN OR FAILURE OF THE TRANSMISSION OF SUCH DATA TO THE CLEARING HOUSE. IN THE EVENT THAT THE CLEARING HOUSE REGISTERS ANY SWAPCLEAR CONTRACT ON THE BASIS OF INCORRECT OR CORRUPTED DATA SENT TO IT BY A US TRADING VENUE AND ACCEPTED (WHETHER AUTOMATICALLY OR MANUALLY, AS APPLICABLE) BY A CLEARING MEMBER, THE CLEARING MEMBER CONCERNED SHALL BE BOUND BY THE TERMS OF SUCH SWAPCLEAR CONTRACT. THE CLEARING HOUSE SHALL USE ITS REASONABLE BEST EFFORTS TO ASSIST THE RELEVANT CLEARING MEMBER(S) IN RE-REGISTERING THE TRADE ON THE CORRECT BASIS BUT THE CLEARING HOUSE SHALL NOT BE LIABLE TO A CLEARING MEMBER OR TO ANY OTHER PARTY WITH REGARD TO THE REGISTRATION (OR LACK OF

REGISTRATION OR RE-REGISTRATION) OF ANY SUCH SWAPCLEAR CONTRACT.

2A.3.5 **Registration of New Trades and Backloaded Trades**

New Trades:

As a precondition of registering a SwapClear Contract resulting from a SwapClear Transaction that is a Block IRS Trade, the Clearing House may require the Clearing Member in whose name such SwapClear Contract is to be registered to provide no later than the time of “submission” or “deemed submission” of the SwapClear Transaction to which the SwapClear Contract relates~~Clearing House’s receipt of the relevant Acceptance~~ (and thereafter maintain) sufficient Margin in respect of such SwapClear Contract. In determining whether sufficient Margin for registration is available, the Clearing House will take into account any available Buffer, MER and SwapClear Tolerance. Available Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is not a Block IRS Trade, the Clearing Member in whose name such SwapClear Contract is registered shall furnish the Clearing House with sufficient Margin in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a Block IRS Trade where one or both of the relevant Clearing Members has not furnished sufficient Margin prior to registration, the Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 401 (and in particular by paragraph (e) thereof) and any other applicable provision of the Rulebook; and (ii) if the Clearing House rejects a SwapClear Transaction that is not a Block IRS Trade for insufficient Margin, the Clearing House shall use its reasonable endeavors to assist the relevant Clearing Members in re-registering the SwapClear Transaction on the correct basis but the Clearing House shall not be liable to any Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration and the conditions to registration specified in Regulation 401 having been satisfied in respect of the related SwapClear Contracts, the SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the clearing member reporting system (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the clearing member reporting system (see Section 2C.1.3) on the SwapClear clearing member reporting account.

Backloaded Trades:

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of submission is considered a backloaded trade by the Clearing House (a “**backloaded trade**”). Due to the nature of backloaded trades, Clearing Members should note that a relatively large amount of Margin is required in order to

register such trades. The Clearing House provides the facility for Clearing Members to load such eligible existing SwapClear Transactions through an Approved Trade Source System. Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and the granting of acceptance by the Clearing Member(s) of the full particulars required by the Clearing House for each such SwapClear Transaction. Following acceptance, the backloaded trade shall be deemed to have been submitted by the Clearing Member(s) for registration by the Clearing House.

It is a precondition for registration of any backloaded trades that sufficient Margin be furnished to the Clearing House. In determining whether sufficient Margin for registration is available, the Clearing House will take into account any available Buffer, MER and SwapClear Tolerance. Available Buffer or MER will always be applied prior to taking into account any available SwapClear Tolerance.

2A.3.6 Notification

The Clearing House will send to the originating Approved Trade Source System notification of registration or rejection, as the case may be, and the Clearing Members will be notified by the Approved Trade Source System or the SwapClear API or otherwise of the registration or rejection of SwapClear Transactions, or contracts purported as such.

2A.3.7 Rejected Trades

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House (including a trade submitted by or on behalf of a Clearing Member that was executed on a (i) US Trading Venue that was not at the time of execution of such trade an Eligible US Trading Venue in respect of such Clearing Member or (ii) trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as a US Trading Venue) or which contain invalid or incomplete message data, or with respect to which the Clearing House has not received sufficient Margin (taking into account available SwapClear Tolerance, if any), will be rejected, except that such Margin shall be required to be furnished prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade. If, at any time, the Clearing House does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

2A.4 Position Accounts

2A.4.1 Accounts

For identification purposes, each Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to SwapClear Contracts. Only FCM Clearing Members will have segregated accounts for Client Business (Omnibus Client Swaps Accounts with LCH). A Clearing Member's position and financial information are further identified by a single character code: C for Client Business (applicable only to FCM Clearing Members); and H for House Business.