

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLLC **Date:** 29 Oct 2012

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

Default Rules: Definitions; 103(b)(i)-(ii); 103(c)(ii); 103(d)(i)-(iii); 103(f)(i)-(iii),(v); 103(g)-(i); 103(l)-(m); 106(g)(i)-(v); 106(h)-(i); 106(m)-(r); 108(b)-(c); 110; 112(b); 112(f)-(g); 205(a)(i)-(ii); 205(a)(v)-(vi); 205(b); 205(d)(i)-(ii); 205(iii); 205(iv); 2A.17.6; 4.13.

DESCRIPTION

Amendments to LCH.Clearnet LLC’s Rules and Regulations concerning the introduction of Legally Segregated, Operationally Commingled (“LSOC”) Accounts under CFTC Regulation Part 22, to become effective on November 13, 2012.

Rulebook Matrix: Explanation of Changes to the LCH.Clearnet LLC rulebook in connection with self-certification of LSOC

Default Rules Rulebook Reference:	Explanation:	Commentary:
Definitions:		
"Account Assets"	Amendments have been made as a result of the creation of the 'LSOC' client sub-account structure and the introduction of the concept of 'Buffer'.	The former client omnibus account that is recorded on the books of the Clearing House has been amended to cater for client sub-accounts. 'Buffer' is the Clearing Member's own funds that have been used to meet an obligation on a client sub-account.
"Applied Buffer"	Amendments for the introduction of the concept of Buffer being used to meet a Cleared Swaps Customer's margin requirement.	None.
"Buffer"	Amendment for the introduction of "Buffer".	See §22.13(b).
"Client Segregated Sub-Account"	Amendment to cater for the introduction of client sub-accounts.	None.
"Client Segregated Sub-Account Balance"	Changes introduced to cater for an Account Balance being applicable to an individual client at the sub-account level.	None.
"Excess Margin"	Amendments have been made as a result of the creation of the 'LSOC' client sub-account structure.	Under the current LSOC LCH model, excess may be created with respect to a client's sub-account but cannot be lodged. The change to the definition of 'Excess Margin' caters for the creation of excess and how it is attributed to a client.
"FCM Swaps Client Segregated Depository Account"	Changes introduced as a result of the introduction of Part 22.	None.
"Hedged Account"	Inclusion of the definition of 'Hedged Account'.	The 'Hedged Account' is the account established by the Clearing House and, following an Clearing Member's default, is used to record the positions of clients that it has been deemed will not be ported to another Clearing Member.
"LCH Swaps Client Segregated Depository Account"	Changes introduced as a result of the introduction of Part 22.	None.

"Omnibus Client Swaps Account with LCH"	Amendments made to cater for the introduction of sub-accounts within the omnibus client account.	None.
"Permitted Depository"	Introduction of Part 22 terminology.	Adoption of certain terms set out in §22.1 and §22.4.
"Porting Contracts"	Conforming change.	None.
"Unallocated Excess"	Conforming change.	None.
"Unallocated Excess Sub-Account"	Conforming change.	None.
Regulation 103: Client Business and Segregated Client Accounts		
103(b)(i) and 103(b)(ii)	Introduction of Part 22 terminology.	None.
103(c)(ii)	Inclusion of Part 22 terminology and amendments to cater for the introduction of client sub-accounts.	See §22.2.
103(d)(i) and (ii)	Introduction of Part 22 terminology and the obligation for the Clearing House to establish sub-accounts with respect to individual clients.	See §22.2.
103(d)(iii)	Introduction of the obligation for the Clearing House to establish and maintain a Buffer account.	None.
103(f)(i)	Introduction of Part 22 terminology.	None.
103(f)(ii)	Introduction of Part 22 terminology.	None.
103(f)(iii)	Conforming changes.	None.
103(f)(v)	Adoption of the segregation requirement required by §22.15.	None.
103(g)	Conforming changes.	None.
103(h)	Adoption of the segregation requirement required by §22.15.	None.
103(i)	Conforming changes.	None.
103(l)	Introduction of Part 22 terminology.	None.
103(m)	Conforming changes.	None.
Regulation 106: Margin; Other Obligations		
106(g)(i)	Amendments to cater for how excess margin that is held by the Clearing House is dealt with.	Further detail in following sub-sections.
106(g)(ii)	Retains former wording relating to excess margin lodged with	Although the principle of excess margin in relation to Proprietary

	respect to an Clearing Member's Proprietary account and introduces certain conforming changes.	Accounts has not changed, however, the rule has been changed to cater for the introduction of the new rules dealing with client excess.
106(g)(iii)	Provisions dealing with how client excess is dealt with. In particular, how excess is generated and its 'sweeping' to the Unallocated Excess Account (part of the omnibus client account) at the end of the day. The provision also includes a prohibition on an Clearing Member from posting excess.	Excess margin, with respect to client sub-accounts, cannot be delivered to the Clearing House but may be created through a reduction in a margin call or an increase in the value of collateral delivered with respect to a client sub-account. At the end of each day the Clearing House sweeps excess to the Unallocated Excess account, provided that all obligations to the Clearing House have been satisfied. The Clearing House may permit or prohibit excess being lodged with respect to an individual client (see §22.13.(c)(1)).
106(iv)	Clearing Members may deposit its own funds in the omnibus client account for the benefit of all clients. Once applied, Buffer constitutes Applied Buffer. Buffer is cannot be used to cause an excess on a client's sub-account. Buffer becomes part of a client's sub-account balance during the over night settlement cycle. An Clearing Member may request the return of Buffer at any time. The Clearing House is entitled to assume that any collateral which is delivered to it, and is not identified as pertaining to an individual customer is Buffer.	Buffer is the Clearing Member's own funds that it uses to make good a margin call on its client account. When applied to an individual client it becomes Applied Buffer, however, the Clearing House can 'dis-apply' Buffer in the event of a default (provided it hasn't yet become part of the client's sub-account balance.
106(v)	Deals with 'Unallocated Excess'. Unallocated Excess is held in a separate account on the books of the Clearing House for the benefit of all of the swaps customers as a class. Clearing Members are required to record Unallocated Excess within its books and records. In certain circumstances, the Clearing House will permit an	Generally, 'Unallocated Excess' may not be used by the Clearing House to make good any losses that it suffers.

	<p>Clearing Member to lodge Unallocated Excess directly. Unallocated Excess may not be applied as Buffer or to a client sub-account.</p> <p>106(v)(E) together with the Procedures provide a mechanism for the release of Unallocated Excess.</p> <p>The Clearing House may not use Unallocated Excess in the event of a default unless directed to do so by a competent regulatory body or the bankruptcy trustee.</p>	
106(h)	Clarificatory wording.	None.
106(i)	Conforming change.	None.
106(m)	Conforming change.	None.
106(n)	Terminology clarification.	None.
106(o)	This section sets out how increases in the levels of Required Margin can be met with respect to the Clearing Member's client account and Proprietary Account.	<p>The 'waterfall' contained in this section sets out how margin calls may be met by an Clearing Member. For clients the order is the following:</p> <ul style="list-style-type: none"> (i) Through the use of excess on the client account. (ii) Buffer. (iii) Delivery of additional margin.
106(p)	Conforming changes	None.
106(q)	This amendment provides the Clearing House with the discretion to prohibit a Clearing Member from withdrawing margin held with respect to its Proprietary Account where there is a shortfall on a client sub-account and there is insufficient Buffer to offset.	This provision is designed to protect the Clearing House where there is an anticipated or actual shortfall on a client sub-account and the Clearing Member wishes to withdraw 'house' margin which would be available to make good such a shortfall.
106(r)	Conforming change.	None.
Regulation 108: Transfers of Client and Proprietary Positions		
108(b)	Conforming change.	None.
108(c)	Conforming change.	None.
106(g)	Conforming change.	None.
106(h)	Clarificatory change.	None.
Regulation 110: Currency Conversion		
	Terminology change.	None.
Regulation 112: Records and Recordkeeping		
112(b)	Conforming change.	None.
112(f)	Conforming changes.	None.

112(g)	Introduction of Part 22 terminology.	None.
Regulation 205: Discharge of Defaulter's Rights and liabilities; Multiple Accounts; Treatment of Variation Margin.		
205(a)(i)	Changes to the Default Rules section of the Rulebook to deal with the introduction of sub-accounts.	The Rulebook has been amended to provide that, in the event of an Clearing Member default, a net sum shall be calculated with respect to each client sub-account.
205(a)(ii)	Conforming changes.	None.
205(a)(v)	The new paragraph within this paragraph provides that, where the Clearing House closes out and liquidates client contracts, any losses will be allocated in accordance with the mechanism set out in the Procedures.	The establishment of the 'Hedged Account' and how allocation of hedging costs and post hedging losses are allocated is set out on the Procedures.
205(a)(vi)	New wording confirms that unallocated Excess is not generally available to the Clearing House.	Mirrors provisions in Regulation 106 above.
205(b)	Clarificatory and conforming changes.	None.
205(d)(i) and 205(d)(ii)	This section deals with the 'segregation of variation margin' post default whereby the Clearing House will credit the client of a defaulting Clearing Member for any gains post that Clearing Member's default. Such amount that has been credited will either be credited to the 'Transferee Clearing Member' or paid directly to the client.	These actions remain subject to certain legal due diligence. The Rulebook contains certain protections for the Clearing House where money is returned directly to a client.
205(iii)	Wording has been included to clarify, for the avoidance of doubt, that any variation margin due to a client may be retained where the relevant client owes money to the Clearing Member or the Clearing House, including losses suffered once the client has been hedged.	None.
205(iv)	Wording has been included to try and ensure that any direct payments to clients are valid and enforceable.	The wording in 205(iv) renders clients 3 rd party beneficiaries of the Rulebook and, as such, entitled to payments due to them thereunder.
2A.17.6	Contains new provisions dealing how variation margin gains and	This process has been discussed with CFTC staff at length and essentially

	<p>losses together with hedging costs are allocated to clients that it is deemed will not be ported to a transferee clearing member following a clearing member default.</p>	<p>involves the Clearing House allocating variation margin gains and losses, hedging costs and liquidation costs based on the clients' initial margin at the time that it is determined that a client will not be 'ported'.</p> <p>§22.15 permits a DCO to liquidate all Cleared Swaps Customers together.</p>
4.13	<p>Pursuant to the rules introduced as a result of Part 22 the concept of an Unallocated Excess and Buffer account has been introduced. Provisions dealing with how Unallocated Excess and Buffer are removed are included here.</p>	<p>This section confirms that the end of day report issued by the Clearing House constitutes confirmation of the breakdown between Buffer and Unallocated Excess.</p>

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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 Assets**” means the Client Funds that an FCM Clearing Member has deposited with or transferred to the Clearing House as Margin, and which the Clearing House holds (in that FCM Clearing Member’s Omnibus Client Swaps Account with LCH and in the applicable Client Segregated Sub-Accounts), for and in respect of the clearing of Contracts for its Clients. For the avoidance of doubt, any Applied Buffer or Buffer applied by the Clearing House in respect of a Client’s Client Segregated Sub-Account does not constitute “Account Assets” of such Client, provided, that Applied Buffer may be transformed into Account Assets as provided in Regulation 106(g)(iv)(C).

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

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

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

“**Applied Buffer**” has the meaning assigned to it in Regulation 106(g)(iv)(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 or other similar venue, 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.

“Buffer” has the meaning assigned to it in Regulation 106(g)(iv)(A).

“Business Day” means in respect of a Contract (except where specified otherwise in the relevant SwapClear Contract Terms), a day on which the Clearing House is open for business as set forth in the Procedures.

“Capped Amount” has the meaning assigned to it in Regulation 302(3).

“Carrying FCM Clearing Member” means an FCM Clearing Member carrying an account for a Client, and in respect of which the Contracts and Account Assets held in such account may be transferred to a Receiving FCM Clearing Member pursuant to Regulation 108 and in accordance with the Procedures.

“CEA” means the Commodity Exchange Act.

“CFTC” means the Commodity Futures Trading Commission.

“CFTC Regulations” means the rules and regulations promulgated by the CFTC.

“Cleared Swap” means “Cleared Swap” as such term is defined in CFTC Regulation 22.1 (which, for the avoidance of doubt, shall for the purposes of the Rulebook be deemed to include Contracts).

“Cleared Swaps Account Class” means the account class for cleared swaps accounts (as defined in CFTC Regulations 190.01(a)(i) and 190.01(pp)) for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA.

“Clearing End-User Notice” means the “Clearing End-User Notice” as specified by the Clearing House from time to time and as published by the Clearing House on its website or otherwise.

“Clearing House” means LCH.Clearnet LLC whose principal place of business is located at 17 State Street, 28th Floor, New York, NY 10004.

“Clearing Member” means a person that has been approved by the Clearing House as a “Clearing Member” and for the clearing of one or more categories of Contracts, in accordance with a Clearing Membership Agreement and the Rulebook.

“Clearing Membership Agreement” means the agreement so designated under which, inter alia, the Clearing House agrees to make available Clearing Services to a Clearing Member in respect of Contracts together with any ancillary agreements.

“Clearing Services” means SwapClear Clearing Services.

“Client” means a client of an FCM Clearing Member (but not including Affiliates of such FCM Clearing Member) with positions in Cleared Swaps, including Contracts, on behalf of which the FCM Clearing Member provides Clearing Services and clears Contracts; provided, that any such client is only a Client with respect to its positions in Cleared Swaps.

“Client Business” means the provision of Clearing Services by an FCM Clearing Member to its Clients.

“Client Funds” means all Margin, cash, securities, receivables, rights, intangibles and any other collateral or assets deposited with or transferred to an FCM Clearing Member by its Clients.

“Client Segregated Sub-Account” means an individual segregated sub-account established on the books of the Clearing House on behalf of a Client of an FCM Clearing Member, reflecting the Contracts, and all associated Account Assets, carried for each such Client by such FCM Clearing Member, based on information provided by the applicable FCM Clearing Member.

“Client Sub-Account Balance” means with respect to a Client, at any given time, the value of Account Assets attributable to such Client’s Client Segregated Sub-Account as determined by the Clearing House in accordance with the Rulebook.

“Consent Required Clearing Member” has the meaning assigned to it in the Procedures.

“Continuing Member” has the meaning assigned to it in Regulation 316(b).

“Contract” means a SwapClear Contract.

“Contract Business” means any transaction, obligation or liability arising out of any Contract.

“Contract Terms” means the SwapClear Contract Terms.

“Contribution” has the meaning assigned to it in Regulation 303.

“Currency Participant” means, in respect of a specific SwapClear currency, a Non-Defaulting Clearing Member who at the time the Clearing House declares a Default has SwapClear Contracts for that SwapClear currency registered in its name.

“Deductible” means, at the time of preparation of a Recourse Certificate, the Capped Amount as defined in Regulation 302(3).

“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 established by the Clearing House pursuant to the terms of Regulation 204(i).

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

“End of Day” has the meaning assigned to it in Regulation 117(a)(i).

“Excess Loss” means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Recourse Certificate less (x) the proportion of the Deductible applicable to Contract Business under Regulation 302(3) and (y) any sums then immediately payable in respect of Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favor of the Clearing House in relation to Default Losses.

“Excess Margin” means ~~Margin delivered to~~, (i) in respect of a Client’s Client Segregated Sub-Account, Account Assets (excluding Buffer or Applied Buffer) held by the Clearing House ~~by a Clearing Member~~ in respect of ~~its~~ Contracts corresponding to such account, which is in excess of the Required Margin in respect of such corresponding Contracts as determined by the Clearing House in accordance with the Rulebook, and (ii) in respect of a Clearing Member’s Proprietary Account, Margin held by the Clearing House in respect of Contracts corresponding to such account, which is in excess of the Required

Margin in respect of such corresponding Contracts as determined by the Clearing House in accordance with the Rulebook.

“**Equal Bid**” has the meaning assigned to it in Regulation 204(b)(iii)(E).

“**Executing Party**” means any party to a swap transaction (including swap transactions which are contingent on or pending clearing), whether executed bilaterally or on or through an Approved Trade Source System, that is presented to the Clearing House as a Transaction and with respect to which each party to such transaction applies to have its respective side of such transaction registered with the Clearing House (through a Clearing Member or on its own behalf as a Clearing Member, as applicable) as a Contract.

“**FCM**” means a futures commission merchant, as defined under the CEA, that is registered in such capacity with the CFTC.

“**FCM Clearing Member**” means a Clearing Member registered as an FCM and approved by the Clearing House to clear Contracts on behalf of Clients.

“**FCM Clearing Member Segregated Accounts**” means, with respect to each FCM Clearing Member, (i) its FCM ~~OTCSwaps~~ Client Segregated Depository Accounts and (ii) its PPS Accounts in which the FCM Clearing Member holds the Client Funds held in connection with its Clients’ cleared Contracts.

“**FCM ~~OTCSwaps~~ Client Segregated Depository Account**” means an omnibus account located in the United States and maintained by an FCM Clearing Member for its Clients with a ~~permitted-depository~~ Permitted Depository, which is segregated in accordance with the CEA and regulations of the CFTC and contains the Client Funds deposited by such Clients in connection with Contracts cleared for such Clients by such FCM Clearing Member.

“**Fed Funds Rate**” means the Federal Funds Rate as published by the Federal Reserve Bank of New York.

“**Final Calculation Date**” has the meaning assigned to it in Regulation 117(d)(i).

“**Fund Amount**” means the amount as determined in accordance with Regulation 303(c).

“**Fund Cap**” has the meaning assigned to it in Regulation 303(c).

“**Fund Floor**” means the amount as determined in accordance with Regulation 303(c).

“**Guidance**” means guidance, in the form of one or more written notices, issued from time to time by or on behalf of the Clearing House to Clearing Members, supplementing the detail or conduct of any aspect of the Default Management Process.

“**Hedged Account**” has the meaning assigned to it in Section 2A.17.6 of the Procedures.

“**Higher Bid**” has the meaning assigned to it in Regulation 204(b)(v)(c)(2).

“**Higher Bidder**” has the meaning assigned to it in Regulation 204(b)(v)(c)(2).

“House Business” means the Contracts entered into by a Clearing Member in its Proprietary Account.

“Ineligible SwapClear Contract” has the meaning assigned to it in Regulation 401(g).

“Ineligible SwapClear Transaction” has the meaning assigned to it in Regulation 401(g).

“Initial Margin” means the amount of Margin payable by a Clearing Member in respect of, and in the amount of, the Clearing House’s initial margin requirements (as published from time to time by the Clearing House) in respect of a Contract.

“Initial Resources” has the meaning assigned to it in Regulation 204(b)(v)(B).

“Insufficient Resources Determination” has the meaning assigned to it in Regulation 320.

“Late Final Calculation Date” has the meaning assigned to it in Regulation 117(d)(iv).

“LCH Approved Outsourcing Party” means a person, designated as such by the Clearing House, as may be provided for in the Procedures.

“LCH Swaps Client Segregated Depository Account” means the omnibus account (which will consist of one or more accounts at one or more ~~permitted depositories~~[Permitted Depositories](#) which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and CFTC Regulations) located in the United States and maintained by the Clearing House for the benefit of Clients of its FCM Clearing Members with a ~~permitted depository~~[Permitted Depository](#), which is segregated in accordance with the CEA and CFTC Regulations, is part of the Cleared Swaps Account Class and contains the Account Assets deposited by such FCM Clearing Members on behalf of their Clients in connection with Contracts cleared for such Clients by such FCM Clearing Members.

“Losing Currency” has the meaning assigned to it in Regulation 204(b)(v)(D).

“Losing Currency Original Clearing Member” has the meaning assigned to it in Regulation 204(b)(v)(D).

“Losing Currency Unfunded Clearing Member” has the meaning assigned to it in Regulation 204(b)(v)(G).

“Loss Distribution Process” has the meaning assigned to it in Regulation 318.

“Margin” means the cash and, to the extent set forth in the Procedures or otherwise explicitly permitted by the Clearing House, securities (in a currency and form acceptable to the Clearing House as set forth in the Procedures) deposited by a Clearing Member with the Clearing House in connection with Contracts as required by the Clearing House (including as required by the Rulebook).

“Margin Cover” has the meaning assigned to it in Regulation 302(1).

“Minimum Contribution” means, subject to Regulation 303, \$15,000,000.

“Minimum Contribution Member” means a Clearing Member in respect of which the Preliminary Contribution calculated under Regulation 303 is equal to or less than the Minimum Contribution for the time being.

“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 Recourse 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 (i) any Clearing Member whose Clearing Member status, at the time of assessment of the amount of any required Contribution, commenced or will commence after the most recent Determination Date prior to such assessment time and (ii) any Clearing Member who, at the time of assessment of the amount of any required Contribution, had not yet cleared any Contracts before the most recent Determination Date prior to such assessment time but who commenced or will commence clearing Contracts after such Determination Date.

“Non-Defaulters’ Contributions” means the Contributions made by Non-Defaulting Clearing Members.

“Non-Defaulting Clearing Member” means any Clearing Member that is not a Defaulter.

“NPV” means, at any given time, the mark-to-market value of a Contract, which shall be equal to its net present value, as determined by the Clearing House in its sole discretion in accordance with the Rulebook.

“Omnibus Client Swaps Account with LCH” means an omnibus account located in the United States and maintained on the books of the Clearing House in the name of a Clearing Member for the benefit of its Clients, in which all Contracts cleared by such Clearing Member on behalf of such Clients, and all associated Account Assets, will be reflected on the books of the Clearing House. [The Clearing House will establish Client Segregated Sub-Accounts within each Omnibus Client Swaps Account with LCH.](#)

“Original Contributions” has the meaning assigned to it in Regulation 204(b)(v)(C).

“Permitted Depository” means [“Permitted Depository” as such term is defined in CFTC Regulations 22.1 and 22.4.](#)

“Porting Contracts” has meaning assigned to it in [Regulation 108\(c\).](#)

“Portfolios” means, in respect of each Contract currency, the Contracts in such currency registered in the name of a Defaulting Clearing Member, and, where relevant, includes any connected hedging trades concluded by the Clearing House through Risk Neutralization.

“Potential Unfunded Contributions” has the meaning assigned to it in Regulation 204(b)(iv)(B)(2).

swap transaction, (b) it was entered into in anticipation of clearing or (c) it is contingent on clearing.

“SwapClear US Service” means the Clearing House’s clearing service for clearing SwapClear Transactions and SwapClear Contracts.

“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.

“Variation Margin” means the amount of Margin payable by a Clearing Member 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 NPV of such Contract.

“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.

“Worst Case Loss” means, in respect of an Auction Portfolio or all of the Contracts of a Non-Defaulting Clearing Member denominated in a particular currency, the largest loss which could be incurred by the Clearing House in respect of the relevant group of Contracts, as determined by the Clearing House using the appropriate formula (which in the case of SwapClear Contracts is the SwapClear PAIRS margining algorithm) based on 1250 historical scenarios (5 years history) and a holding period of 5 days.

Regulation 103 Client Business and Segregated Client Accounts

- (a) Subject to the provisions of the Rulebook, Clearing Services may be provided by an FCM Clearing Member to its Clients on any terms and conditions mutually agreed to by the FCM Clearing Member and the Client; provided, however, that each FCM Clearing Member shall, before providing Clearing Services to any Client, ensure that it has entered into an agreement with that Client, or an Addendum to an existing Agreement with such Client, which, in either case, binds the Client to the applicable provisions of the Rulebook by direct reference to the Rulebook or otherwise, and any such other provisions as shall be agreed from time to time between the Clearing House and Clearing Members, or as may be prescribed by the Clearing House. Upon the registration of a Contract at the applicable Registration Time on behalf of a Client, both the FCM Clearing Member and the applicable Client will be deemed to be bound by the relevant Contract on the terms entered into between the FCM Clearing Member and the Clearing House automatically and without any further action by such FCM Clearing Member or Client, which such terms shall, without limitation, incorporate all applicable terms of the Rulebook and the applicable Contract Terms.
- (b) FCM ~~OTC~~Swaps Client Segregated Depository Accounts.
- (i) Each FCM Clearing Member shall establish and maintain an FCM ~~OTC~~Swaps Client Segregated Depository Account on behalf of its Clients, in accordance with applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of ~~such regulations (but excluding Part 22 until compliance therewith becomes mandatory under the~~ CFTC Regulations), and as further set forth in the Rulebook. The FCM ~~OTC~~Swaps Client Segregated Depository Account shall be maintained with a ~~permitted depository~~Permitted Depository in accordance with the CEA and CFTC Regulations and the FCM Clearing Member may commingle assets of all of its Clients (provided that such assets are deposited or held in connection with Contracts) in such FCM ~~OTC~~Swaps Client Segregated Depository Account in a single omnibus account established and maintained in accordance with CFTC Regulations. The FCM ~~OTC~~Swaps Client Segregated Depository Account maintained by each FCM Clearing Member shall be designated as part of the Cleared Swaps Account Class for purposes of ~~Part 190 of~~ the CFTC Regulations.
- (ii) Client Funds held in an FCM ~~OTC~~Swaps Client Segregated Depository Account shall not be used to carry trades or positions of the same Client other than in connection with Contracts or in connection with other Cleared Swaps cleared through a Derivatives Clearing Organization other than the Clearing House.
- (c) Omnibus Client Swaps Account with LCH.
- (i) Each FCM Clearing Member shall establish and maintain an Omnibus Client Swaps Account with LCH on behalf of its Clients. Clearing Services may be provided by an FCM Clearing Member to its Clients, and Contracts may be entered into by an FCM Clearing Member with the Clearing House on behalf of its Clients only through an Omnibus Client Swaps Account with LCH.

- (ii) Omnibus Client Swaps Accounts with LCH shall be held and administered in accordance with the CEA and all applicable CFTC Regulations, ~~(including but not limited to Part 1, Part 22 and Part 190 of such regulations (but excluding Part 22 until compliance therewith becomes mandatory under the CFTC Regulations))~~ and including as set forth in the Rulebook. ~~The~~ In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall ~~retain all rights available to it under the CEA and CFTC regulations to liquidate~~ treat the ~~Omnibus Client Swaps value of all~~ Account ~~with LCH of an~~ Assets received from each FCM Clearing Member ~~to the extent permitted under CFTC Regulations. In accordance with the foregoing, in the event that more than one Omnibus on behalf of an identified Client as belonging to each such individual Client Swaps Account with LCH is opened in respect of an, and such amount shall be attributed to the Client Segregated Sub-Account of the relevant Client and shall not be used to margin, guarantee, or secure the Contracts or obligations of the applicable FCM Clearing Member (unless otherwise, other Clients or any other person, except as permitted under the Rulebook (and not prohibited by the Rulebook) the Clearing House shall have the right to combine or consolidate~~ CEA or CFTC Regulations) or as permitted under Part 22 of the balances of such Omnibus Client Swaps Accounts with LCH of an FCM Clearing Member CFTC Regulations.

(d) Clearing House Segregated Client Account; Client Sub-Accounts; Buffer Sub-Accounts.

- ~~(d)~~ (i) The Clearing House shall establish and maintain an LCH Swaps Client Segregated Depository Account on behalf of Clients, in accordance with applicable provisions of the CEA and ~~regulations of the CFTC~~ Regulations, including but not limited to Part 1, Part 22 and Part 190 of ~~such regulations (but excluding Part 22 until compliance therewith becomes mandatory under the CFTC Regulations))~~. The LCH Swaps Client Segregated Depository Account shall be maintained with a ~~permitted depository~~ Permitted Depository in accordance with the CEA and CFTC Regulations and the Clearing House may physically commingle assets of all of the Clients (provided that such assets are deposited or held in connection with Contracts) in such FCM ~~OTC~~ Swaps Client Segregated Depository Account in a single omnibus account established and maintained in accordance with CFTC Regulations. All Margin deposited by FCM Clearing Members in connection with Contracts cleared on behalf of Clients shall be held in such LCH Swaps Client Segregated Depository Account. ~~The~~ Each LCH Swaps Client Segregated Depository Account shall be maintained by the Clearing House separately from any and all assets of the Clearing Members and any other assets that the Clearing House is holding in respect of any persons other than Clients, and shall contain no assets other than the Margin deposited by FCM Clearing Members in connection with the clearing of Contracts on behalf of their Clients. The LCH Swaps Client Segregated Depository Account maintained by the Clearing House shall be designated as part of the Cleared Swaps Account Class for purposes of ~~Part 190 of~~ the CFTC Regulations.

(ii) The Clearing House shall establish and maintain on its books and records a Client Segregated Sub-Account in the name and on behalf of each Client of an FCM Clearing Member, as a sub-account of the Omnibus Client Swaps Account with LCH maintained for such FCM Clearing Member. The Clearing House shall reflect on its books and records the Contracts and associated Account Assets held on behalf of the relevant Client, provided that the books and records of the Clearing House in this regard shall be based solely on the information provided by the FCM Clearing Member, and the Clearing House shall have no obligation to verify such information or to investigate independently the Contracts and Account Assets held on behalf of the relevant Client.

(iii) The Clearing House shall, in accordance with the provisions of Regulation 106(g), establish and maintain on its books and records a Buffer sub-account on behalf of each FCM Clearing Member and its Clients, as a sub-account of the Omnibus Client Swaps Account with LCH maintained for each such FCM Clearing Member.

(e) Notice of Deficiency in FCM Clearing Member Segregated Accounts. Whenever an FCM Clearing Member knows or should know that the aggregate amount of funds on deposit in its FCM Clearing Member Segregated Accounts is less than the total amount of such funds required by the CEA, CFTC Regulations and the Rulebook to be on deposit, the FCM Clearing Member must report such deficiency immediately by telephone notice, confirmed immediately in writing by facsimile notice, to the Clearing House and the principal office of the CFTC in Washington, DC, to the attention of the Director and the Chief Accountant of the Division of Clearing and Intermediary Oversight, and, if the FCM Clearing Member is a securities broker or dealer, to the Securities and Exchange Commission, in accordance with 17 C.F.R. § 240.17a-11.

(f) Segregation of Funds.

(i) All Client Funds (deposited in connection with Contracts or other Cleared Swaps) shall be separately accounted for and segregated as belonging to Clients and shall be part of a separate account class, treated as a Cleared Swaps Account Class, in accordance with Section 4d(f) of the CEA. All such funds must be held by the applicable FCM Clearing Member or deposited with the Clearing House, any bank or trust company or another FCM Clearing Member, and such funds shall be deposited under an account name which ~~identifies them as such~~ complies with the requirements of CFTC Regulation 22.6 and shows that they are segregated as required by the Rulebook and Part 22 of the CFTC Regulations. Each FCM Clearing Member shall obtain and retain in its files for the period provided in CFTC Regulation 1.31 a written acknowledgment ~~from such bank, trust company or FCM Clearing Member, in accordance with CFTC Regulations 22.5, 1.20 and/or 1.26 (as applicable) from such Permitted Depository~~ that it was informed that the funds deposited in the FCM Clearing Member Segregated Accounts maintained by such ~~bank, trust company or FCM Clearing Member~~ Permitted Depository for the FCM Clearing Member are those of Clients and are being held in accordance with the provisions of the CEA, CFTC Regulations and the Rulebook. For the avoidance of doubt, all FCM Clearing Member Segregated

Accounts maintained by an FCM Clearing Member shall be treated as segregated accounts and shall be subject to the requirements of the CEA and CFTC Regulations applicable to segregated accounts and to the applicable provisions of the Rulebook, regardless of the location of any such account. Without limitation of the foregoing, under no circumstances shall any portion of Client Funds held in FCM Clearing Member Segregated Accounts be obligated to the Clearing House, a Clearing Member, any depository, or any other person except to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or transactions of Clients. No person, including the Clearing House or any depository, that has received Client Funds for deposit in an FCM Clearing Member Segregated Account, as provided in this rule, may hold, dispose of, or use any such funds as belonging to any person other than the Clients of the FCM Clearing Member which deposited such funds.

- (ii) All Client Funds received by the Clearing House from an FCM Clearing Member to purchase, margin, guarantee, secure or settle Contracts of the FCM Clearing Member's Clients and all money accruing to such Clients as the result of trades, contracts or transactions so carried shall be separately accounted for and segregated as belonging to such Clients, treated as a Cleared Swaps Account Class in accordance with Section 4d(f) of the CEA, and the Clearing House shall not hold, use or dispose of such Client Funds except as belonging to such Clients. Without limitation, all such funds shall be reflected in the appropriate Client Segregated Sub-Account established for the appropriate Client. Such Client Funds, when deposited ~~in a bank or trust company~~with a Permitted Depository, shall be deposited under an account name which ~~clearly complies with the requirements of CFTC Regulation 22.6 and~~ shows that they are ~~the Client Funds of FCM Clearing Members, and are~~ segregated as required by the Rulebook, the CEA and the CFTC Regulations. The Clearing House shall obtain and retain in its files for the period provided by CFTC Regulation 1.31, ~~and~~ written acknowledgment, in accordance with CFTC Regulation 22.5, 1.20 and/or 1/26 (as applicable) from such ~~bank or trust company~~Permitted Depository that it was informed that the funds deposited in any LCH Swaps Client Segregated Depository Accounts and any PPS Account(s) maintained by the Clearing House are those of Clients of FCM Clearing Members and are being held in accordance with the provisions of the CEA, CFTC Regulations and the Rulebook.
- (iii) Each FCM Clearing Member shall treat and deal with Client Funds as belonging to the Client depositing such ~~Clients~~Client Funds. All Client Funds shall be separately accounted for, and shall not be commingled with the money, securities or property of a Clearing Member or of any other person, or be used to secure or guarantee the trades, contracts or transactions, or to secure or extend the credit, of any person other than the one for whom ~~the same such~~ Client Funds are held; provided, that all Client Funds in respect of Contracts may be physically commingled in the same LCH Swaps Client Segregated Depository Account subject to and in accordance with the CEA and CFTC Regulations; provided, further, that Client Funds may be invested in accordance with Regulation 103(k) and CFTC Regulation 1.25.

- (iv) In no event may Client Funds (deposited or held in connection with Contracts) be held or commingled and deposited with (A) Client Funds in the same account or accounts required to be separately accounted for and segregated pursuant to the provisions of Section 4d of the CEA and the regulations thereunder, or (B) money, securities or property representing the foreign futures or foreign options secured amount held in accordance with CFTC Regulation 30.7.
- (v) In accordance with CFTC Regulation 22.15 (and subject to CFTC Regulation 22.3(d)), the Clearing House shall treat the value of all collateral received on behalf of each Client as belonging to each such individual Client, and such amount shall be credited to such Client's applicable Client Segregated Sub-Account as provided in the Rulebook, and shall not be used to margin, guarantee, or secure the Contracts or other obligations of the applicable FCM Clearing Member, other Clients or any other person.
- (g) Care of Money and Securities Accruing to Clients. All money received directly or indirectly by, and all money and securities accruing to, an FCM Clearing Member from the Clearing House or from any Clearing Member or from any other person incident to or resulting from any Contracts made by or through such FCM Clearing Member on behalf of any Client shall be considered as accruing to such Client within the meaning of the Rulebook. Such money and securities shall be treated and dealt with as belonging to such Client in accordance with the provisions of the CEA, CFTC Regulations and the Rulebook. The value of money and securities accruing in connection with Clients' Contracts in an Omnibus Client Swaps Account with LCH ~~need not~~shall be separately credited to ~~individual~~such Client's Client ~~accounts but may be treated and dealt with as belonging undivided to Clients having Contracts which if closed would result in a credit to such Clients' accounts~~Segregated Sub-Account.
- (h) Use of Client Funds Restricted. No FCM Clearing Member shall use, or permit the use of, Client Funds to purchase, margin, or settle the trades, contracts or transactions of, or to secure or extend the credit of, any person other than its Clients. Client Funds held in an FCM Swaps Client Segregated Depository Account shall not be used to carry trades or positions of the same Client other than in connection with Contracts or other Cleared Swaps. In addition, Account Assets held in a Client Segregated Sub-Account shall not be used to margin or carry trades or positions of any Client other than the Client for which such Client Segregated Sub-Account is held.
- (i) Interest of Clearing Members in Client Funds; Additions and Withdrawals. Regulation 103(f), which prohibits the commingling of Client Funds with the funds of a Clearing Member, shall not be construed to prevent an FCM Clearing Member from having a residual financial interest in Client Funds, segregated as required by the CEA, CFTC Regulations and the Rulebook and set apart for the benefit of Clients; nor shall such provisions be construed to prevent an FCM Clearing Member from adding to the segregated Client Funds such amount or amounts of money from its own funds or unencumbered securities from its own inventory, including Buffer, of the type permitted under Regulation 103(k), as it may deem necessary to ensure that its FCM Clearing Member Segregated Accounts hold at all times, at a minimum, an ~~aggregate~~ amount equal to the amount required by the CEA, CFTC Regulations and the Rulebook. The books and records of an FCM Clearing Member shall at all times

accurately reflect its interest in the segregated Client Funds. An FCM Clearing Member may draw upon such Client Funds to its own order, to the extent of its actual interest therein, including the withdrawal of securities held in FCM Clearing Member Segregated Accounts held by ~~the Clearing House, a bank, trust company or other Clearing Member~~ a Permitted Depository; provided, that any such withdrawals do not result in any such account holding less in segregated Client assets than such account is required to contain at such time. Such withdrawal shall not result in Client Funds being used to purchase, margin or carry the trades, contracts or transactions, or extend the credit of any other Client or other person.

- (j) Funds Held in FCM Clearing Member Segregated Accounts; Exclusions Therefrom. Money held in FCM Clearing Member Segregated Accounts by an FCM Clearing Member shall not include (i) money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market or (ii) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the Contracts of the Clients of such FCM Clearing Member.
- (k) Investments of Client Funds. An FCM Clearing Member or the Clearing House may invest Client Funds subject to the terms and conditions set forth in CFTC Regulation ~~1.25~~, which regulation shall apply to such funds in accordance with the provisions of the CEA and CFTC Regulations thereunder related to transactions in the Cleared Swaps Account Class. The investment of Client Funds in instruments permitted under this paragraph shall not prevent the Clearing Member or the Clearing House so investing such funds from receiving and retaining as its own any increment or interest resulting therefrom.
- (l) Deposit of Instruments Purchased with Client Funds.
 - (i) Each FCM Clearing Member that invests Client Funds in instruments permitted under Regulation 103(k) shall separately account for such instruments and segregate such instruments as belonging to such Clients. Such instruments, when deposited with ~~the Clearing House, a bank, trust company or another FCM Clearing Member~~ a Permitted Depository, shall be deposited under an account name which clearly shows that they belong to Clients and are segregated as required by the CEA, CFTC Regulations and the Rulebook. Each FCM Clearing Member, upon opening an FCM Clearing Member Segregated Account, shall obtain and retain in its files an acknowledgment from such ~~bank, trust company or other FCM Clearing Member~~ Permitted Depository that it was informed that the instruments belong to Clients and are being held in accordance with the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. ~~Such bank, trust company or other FCM Clearing Member~~ Such Permitted Depository shall allow inspection of the records of such assets at any reasonable time by representatives of the Clearing House.
 - (ii) When it invests money belonging or accruing to Clients of its Clearing Members in instruments permitted under Regulation 103(k), the Clearing House shall separately account for such instruments and segregate such instruments as belonging to such Clients (provided that any such instruments may be held in commingled accounts, on behalf of all Clients of all FCM

Clearing Members, at one or more ~~depositories).~~Permitted Depositories). Such instruments, when deposited with a ~~bank or trust company~~Permitted Depository, shall be deposited under an account name which will clearly show that they belong to Clients and are segregated as required by the CEA, CFTC Regulations and the Rulebook. Upon opening any such account, the Clearing House shall obtain and retain in its files a written acknowledgment from such ~~bank or trust company~~Permitted Depository that it was informed that the instruments belong to Clients of Clearing Members and are being held in accordance with the provisions of the CEA and CFTC Regulations. Such acknowledgment shall be retained in accordance with CFTC Regulation 1.31. Such ~~bank or trust company~~Permitted Depository shall allow inspection of such instruments at any reasonable time by representatives of the Clearing House.

- (m) CFTC Regulations and Segregation of Client Funds. Without limitation of any other provisions of the Rulebook, FCM Clearing Members shall at all times comply in all respects with the applicable provisions of Part 22 and Part 190 of the CFTC Regulations, as well as any other applicable CFTC Regulations.

Clearing House in substitution of any securities or assets deposited with the Clearing House pursuant to this Regulation 106.

- (d) The Clearing House shall be entitled to, in its absolute discretion in accordance with the Procedures and without assigning any reason and without prior notice to a Clearing Member, modify its margin requirements applicable to a Contract or to call for larger or additional amounts of Initial Margin to be furnished to it by a Clearing Member, either before registration of a Contract or at any time after registration. Without limitation of the foregoing, the Clearing House shall attempt to provide advance notice of the modified margin requirements to the applicable Clearing Member where reasonably practicable. Any Margin called by the Clearing House pursuant to this paragraph shall be furnished by the Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate provision of Margin from a Clearing Member in an amount deemed necessary by the Clearing House without reference to an NPV in respect of any Contract in the Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such Margin by the Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Clearing Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the member is party. In this paragraph, "immediate provision" means payment to the Clearing House within one hour of demand.
- (f) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the Rulebook, the Clearing House may at its absolute discretion accept Margin in an agreed amount and in a form other than those specified in the Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Margin in accordance with its standard risk management procedures and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.

~~(g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the Rulebook, and subject to the settlement of any other obligations of a Clearing Member to the Clearing House:~~

~~(g) in the event there is any~~ Excess Margin; Buffer; Unallocated Excess.

(i) Excess Margin. If the NPV in respect of open Contracts indicate, or the Clearing House otherwise determines, that Excess Margin is maintained with the Clearing House by an FCM Clearing Member in respect of its Proprietary Account or a Client Segregated Sub-Account, then any such Excess Margin shall be subject to the provisions of this FCM Regulation 106(g) and the other provisions of the Rulebook.

~~(i) Excess Margin in relation to a Clearing Member's Omnibus Client Swaps Account with LCH, (Proprietary Accounts. A) such Clearing Member may request the return of any such Excess Margin at any time, and the Clearing House shall promptly release such Excess Margin during normal business~~

~~hours on a Business Day, and (B) is permitted to maintain Excess Margin with the Clearing House may determine to release any or all in respect of such Excess Margin at any time (without any prior request by the its Proprietary Account. A Clearing Member);~~

~~(ii) in the event there is any Excess Margin in relation to a Clearing Member's Proprietary Account, (A) such Clearing Member that is not a Defaulter may request the return of any such Excess Margin at any time, and upon such request the Clearing House shall promptly release such Excess Margin during normal business hours on a Business Day, provided, that the Clearing House shall be permitted to refuse to release such Excess Margin if at the time any of the Clearing Member's Omnibus Client Swaps Accounts with LCH (or other Proprietary Accounts if applicable) do not contain return such Excess Margin, except where any Client Segregated Sub-Account of such Clearing Member has insufficient Margin to satisfy the Required Margin applicable to such other account, it and (B) the such Clearing Member does not have sufficient Buffer posted with the Clearing House may determine to release satisfy any or all of such Excess Margin at any time (without any prior request by the Clearing Member); and~~

~~(iii)(ii) upon the close-out or termination of deficit. Even where a Contract in accordance with the Rulebook, the Clearing House shall return all Initial Margin attributable to such Contract to the respective Clearing Member; provided, that no portion of such Initial Margin is required as Margin or otherwise required by the Rulebook for any other positions established by the Clearing Member with respect to its Proprietary Account (with respect to Initial Margin to be released in connection with positions for the has not requested the return of its Excess Margin held in a Proprietary Account) or any of its FCM Clearing Member Segregated Accounts (with respect to Initial Margin to be released in connection with positions for the FCM Clearing Member Segregated Accounts), the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable Clearing Member.~~

~~(iii) If, in the opinion~~Restriction on Excess Margin in Client Segregated Sub-Accounts on a Day-to-Day Basis. Excess Margin is not permitted to be maintained in any Client Segregated Sub-Account on a day-to-day basis. However, a Client's Client Segregated Sub-Account is permitted to hold Excess Margin on an intraday basis. Any Excess Margin attributable to a Client's Client Segregated Sub-Account that exists in such sub-account following a daily close of the SwapClear US Service shall be transferred by the Clearing House into an Unallocated Excess sub-account of the applicable Omnibus Client Swaps Account with LCH (such sub-account, with respect to each FCM Clearing Member, the "Unallocated Excess Sub-Account") on the morning of the following Business Day (and as such, such Excess Margin shall become Unallocated Excess); provided, that all sums due from the relevant FCM Clearing Member at such time in respect of the Omnibus Client Swaps Account with LCH have been paid to the Clearing House. If at any time an FCM Clearing Member posts Margin with the Clearing House on behalf of a Client in an amount which would cause such Client's Client

Segregated Sub-Account to contain Excess Margin, the Clearing House shall be permitted to reject the deposit of any such Excess Margin or to immediately transfer any such Excess Margin back to the FCM Clearing Member.

(iv) FCM Buffer.

- (A) An FCM Clearing Member is permitted to deposit collateral that is the property of such FCM Clearing Member (and not any of its Clients) to its Omnibus Client Swaps Account with LCH as excess cover for the benefit of all of its Clients (such collateral, “**Buffer**”), and such Buffer shall be recorded by the Clearing House as attributable to such FCM Clearing Member in a sub-account of its Omnibus Client Swaps Account with LCH designated as an Buffer sub-account. The Clearing House shall be permitted to apply any portion of an FCM Clearing Member’s Buffer (any portion of Buffer when applied, “**Applied Buffer**”) to any Client Segregated Sub-Account of such FCM Clearing Member which is in or would become in default.
- (B) At any time, the Clearing House shall never apply Buffer in an amount that, in respect of a Client, would cause the sum of the Client’s Client Segregated Sub-Account balance and the Applied Buffer applicable to such Client’s Client Segregated Sub-Account at such time (if any) to exceed the amount of Required Margin applicable to it. In the event that any such excess exists (e.g., due to a decrease in Required Margin, the posting of additional Account Assets attributable to such Client, or other reasons) with respect to a Client Segregated Sub-Account, the Clearing House shall reduce the amount of Applied Buffer applicable to such Client in an amount sufficient to remove any such excess, and any such reduced portion of Applied Buffer shall again become Buffer (and shall no longer be considered Applied Buffer).
- (C) Any Applied Buffer that is applied to a Client Segregated Sub-Account on a Business Day and remains applied to such sub-account at the opening of the SwapClear US Service on the following Business Day (as necessary to satisfy the applicable Required Margin) shall, at such time, be deemed to become part of the Account Assets deposited in such Client’s Client Segregated Sub-Account and thereafter shall no longer constitute Applied Buffer or Buffer.
- (D) An FCM Clearing Member that is not a Defaulter may request the return of any of its Buffer that is not Applied Buffer at any time, and upon such request the Clearing House shall return such Buffer.
- (E) In the event that an FCM Clearing Member deposits with or transfers collateral to its Omnibus Client Swaps Account with LCH but does not notify the Clearing House as to whether such collateral should be considered Unallocated Excess or Buffer (and has not notified the Clearing House that the collateral is attributable to individual Clients), the Clearing House shall treat such collateral as Buffer and credit it to the FCM Clearing Member’s Buffer sub-account.

(v) Unallocated Excess.

- (A) The Clearing House shall hold any funds deposited in an Unallocated Excess Sub-Account (such funds, the “Unallocated Excess”) for the benefit of the Clients of the applicable FCM Clearing Member as a class (the identities of which shall be recorded by such FCM Clearing Member and not the Clearing House in accordance with this Regulation 106 and other applicable provisions of the Rulebook), segregated in accordance with the CEA and CFTC Regulations, including Part 22 of the CFTC Regulations. The Clearing House shall treat and record the Unallocated Excess in respect of an FCM Clearing Member on an unallocated basis, and the Clearing House shall not attribute any portions of such Unallocated Excess to the individual Clients of such FCM Clearing Member (although the Unallocated Excess shall be held for the benefit of the applicable Clients as a class (in accordance with Part 22 of the CFTC Regulations), the records of which are kept by the applicable FCM Clearing Member).
- (B) Each FCM Clearing Member that maintains Unallocated Excess in its Unallocated Excess Sub-Account on behalf of its Clients shall ensure that its books and records accurately reflect at all times the Client or Clients to which such Unallocated Excess is attributable and the amount attributable to each such Client.
- (C) An FCM Clearing Member is permitted to deposit additional collateral (i.e. collateral that does not already constitute Account Assets) belonging to its Clients directly into its Unallocated Excess Sub-Account, upon its instruction and with the prior written approval of the Clearing House in accordance with the Procedures, and any such collateral so deposited shall become Unallocated Excess.
- (D) The Clearing House shall not be permitted to, and shall not, at any time (x) apply any Unallocated Excess as Buffer or to the FCM Clearing Member’s Proprietary Account, or (y) except in accordance with an instruction by the applicable FCM Clearing Member, apply it to a Client Segregated Sub-Account.
- (E) Upon the request of an FCM Clearing Member, in accordance with the Procedures, the Clearing House will return Unallocated Excess to such FCM Clearing Member. The FCM Clearing Member shall be deemed to represent to the Clearing House, upon making any such request, that any such request complies with the CFTC Regulations and that the returned Unallocated Excess will remain segregated as required under the CFTC Regulations and the Rulebook.
- (F) Upon the Default of an FCM Clearing Member, any Unallocated Excess in such FCM Clearing Member’s Unallocated Excess Sub-Account shall be held by the Clearing House for the benefit of the applicable Clients in accordance with Part 190 of the CFTC Regulations and applicable law, and the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of

the FCM Clearing Member to the Clearing House (on behalf of its Clients or otherwise) except to the extent directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

- (h) If, in the sole discretion of the Clearing House, any security which has been furnished to it by a Clearing Member as Margin pursuant to these Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of Margin from such Clearing Member. Such Margin shall be furnished by such Clearing Member on demand in a form prescribed by the Procedures; provided, that at any time the Clearing House shall be entitled to require the Clearing Member to furnish it with Margin in a specified form and to demand that the Clearing Member replace the whole or part of any security furnished by a Clearing Member pursuant to these Regulations by Margin in the form of cash.

- (i) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the Rulebook, and subject to paragraph (g) above and the settlement of any other obligations of a Clearing Member to the Clearing House, upon the close-out or termination of a Contract in accordance with the Rulebook, the Clearing House shall return all Initial Margin attributable to such Contract to the respective Clearing Member; provided, that no portion of such Initial Margin is required as Margin or otherwise required by the Rulebook for any other positions established by the Clearing Member with respect to its Proprietary Account (with respect to Initial Margin to be released in connection with positions for the Proprietary Account) or an applicable Client Segregated Sub-Account (with respect to Initial Margin to be released in connection with positions for such Client Segregated Sub-Account).

- ~~(j)~~ (j) If the Clearing House takes any step or steps under the Default Regulations in relation to a Clearing Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Clearing Member) standing to the credit of any of the Clearing Member's accounts shall be treated as Margin; provided, that under no circumstances will any assets in an Omnibus Client Swaps Accounts with LCH (in the case of an FCM Clearing Member) be applied to the satisfaction of proprietary obligations of the FCM Clearing Member or any other obligations not related to such FCM Clearing Member's Client Business.

- ~~(k)~~ (k) Each Clearing Member shall be entitled to the return of any amounts due to it (after all obligations of such Clearing Member to the Clearing House have been satisfied) pursuant to the Rulebook.

- ~~(l)~~ (l) Unless the Clearing House otherwise agrees in writing, Margin provided to the Clearing House by way of cash shall not be capable of assignment by any person. Any purported assignment by a Clearing Member (whether by way of security or otherwise) of cash Margin provided to the Clearing House shall be void. A Clearing Member shall not otherwise encumber (or seek to encumber) any cash Margin provided to the Clearing House.

~~(m)~~(m) Creation of Security Interest. Each Clearing Member hereby grants the Clearing House a first security interest in and a first priority and unencumbered first lien upon any and all Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including without limitation all property deposited in a Proprietary Account or in an Omnibus Client Swaps Account with LCH, or any amounts owing to a Clearing Member in a Proprietary Account), including all substitutions for and proceeds of, any such property, in connection with any Contracts cleared for such Clearing Member, its Affiliates or its Clients, as security for unconditional payment and satisfaction of the obligations and liabilities of the Clearing Member to the Clearing House. The Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder. The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the Rulebook and applicable laws. Notwithstanding the foregoing, in no event shall the Clearing House's security interest in a Clearing Member's Omnibus Client Swaps Accounts with LCH be exercised to satisfy any obligations or liabilities of ~~of:~~ (i) such Clearing Member other than in connection with obligations or liabilities relating to such Clearing Member's Omnibus Client Swaps Accounts with LCH; or (ii) a Client with a Client Segregated Sub-Account by application of Account Assets held in the Client Segregated Sub-Account of another Client.

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

~~(n)~~(o) ~~The Where the amount of~~ Required Margin ~~relating applicable to the~~ Contracts ~~cleared by a Clearing Member on behalf of its of a~~ Clients, ~~its Affiliates, or on its own behalf, will be calculated is increased~~ by the Clearing House, ~~and discharged by the obligation of the applicable FCM~~ Clearing Member ~~in respect of all to provide additional Margin to the Clearing House to satisfy such Contracts, by increased~~ Required Margin shall be discharged by:

(i) if and to the extent that there is Excess Margin available that is attributable to such Client's Client Segregated Sub-Account, deduction by the Clearing House of amounts from such Excess Margin; ~~provided, that in accordance with these Regulations, in no event shall Excess Margin attributable to Clients be~~

~~(i)~~ if the applicable of clause (i) above is insufficient, by the application of any available ~~to satisfy Required Margin requirements relating to Proprietary Accounts;~~

(ii) ~~otherwise, Buffer of the applicable FCM Clearing Member (in accordance with the Procedures and Regulation 106(g)(iv)) and/or by~~ delivery by the

applicable FCM Clearing Member to the Clearing House of ~~additional~~ Margin with on behalf of such Client; and

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

Where the amount of Required Margin applicable to the Contracts of a ~~value which is at least sufficient to discharge the relevant requirement~~ Clearing Member's Proprietary Account is increased by the Clearing House, the obligation of the applicable Clearing Member to provide additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:

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

(y) delivery by the Clearing Member to the Clearing House of additional Margin; and

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

Clients and Contract positions established for Clients shall be subject to gross margin requirements on all such positions, and each Clearing Member shall require its Clients to satisfy such gross margin requirements. Contract positions established in a Clearing Member's Proprietary Account on its own behalf and for its Affiliates shall be subject to net margin requirements, such that a Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the Contract positions of itself and its Affiliates. A Clearing Member may impose margin requirements on its Affiliates for which it provides Clearing Services on a net basis, netting the positions and related margin requirements with respect to a single Affiliate or across multiple Affiliates, or a Clearing Member may impose such margin requirements on a gross basis.

~~(p)~~(p) A Clearing Member shall provide the Clearing House with all information required under the Procedures regarding its Contracts and Client Funds- and shall instruct the Clearing House as to the Contracts and Account Assets to be reflected in each corresponding Client Segregated Sub-Account. In addition, a Clearing Member shall, as soon as reasonably practicable following a request from the Clearing House, provide the Clearing House with any other information which the Clearing House may reasonably require in relation to the Clients or Affiliates of the Clearing Member, or the clearing of Contracts by such Clearing Member on behalf of its Clients, its Affiliates, or on its own behalf.

~~(p)~~(q) No Clearing Member may withdraw any amount from its Omnibus Client Swaps Account with LCH or its Proprietary Account if such withdrawal would cause the account balance to be less than the Required Margin then attributable to such

Omnibus Client Swaps Account with LCH or Proprietary Account, as applicable, determined by the Clearing House in accordance with the provisions of the Rulebook; provided, further, that the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from its Proprietary Account if the account balance in any of its Client Segregated Sub-Accounts would be less than the Required Margin then attributable to any such Client Segregated Sub-Account and there is an insufficient amount of Buffer available to offset any such deficiencies.

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

Regulation 108 Transfers of Client and Proprietary Positions

- (a) Other than in the event that a Clearing Member is a Defaulter, Contracts in such Clearing Member's name shall not be allocated or transferred except as provided in this Regulation 108. The Procedures shall specify the categories of Contracts that can be transferred in accordance with this Regulation 108 and the applicable forms or other documentation requirements of the Clearing House required in connection with such transfers.
- (b) Transfer of Entire Client Portfolio. Upon the instruction or at the request of a Client, via a Receiving FCM Clearing Member (as set out in the Procedures), to transfer that Client's entire portfolio (and not less than an entire portfolio) of Contracts held in the relevant Client Segregated Sub-Account from a Carrying FCM Clearing Member, the Clearing House shall transfer: (x) the relevant Client Segregated Sub-Account and all such Contracts entered into by the Carrying FCM Clearing Member on behalf of such Client, as identified to the Clearing House by the Carrying FCM Clearing Member, the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to the Contracts to be transferred (such transfer to occur by novation of such Contracts rather than by closeout and rebooking of new Contracts); and (y) upon request of the Receiving FCM Clearing Member on behalf of the relevant Client, all Account Assets deposited with or transferred to the Clearing House by a Carrying FCM Clearing Member and held by the Clearing House in the relevant Client Segregated Sub-Account in respect of the Contracts that are being transferred to a Receiving FCM Clearing Member designated by the Client as set out in the Procedures (the Clearing House being entitled to rely conclusively on the instructions of the Carrying FCM Clearing Member with respect to such Account Assets); provided, that:
- (i) such Client has not become insolvent (such Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a Defaulter;
 - (iii) the Receiving FCM Clearing Member has consented to such transfer;
 - (iv) the Clearing House considers that it has received sufficient Margin from the Receiving FCM Clearing Member in order to enable the transfer; and
 - (v) the Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents.

For purposes of (v) above, with respect to obligations owed to Affiliates of the Carrying FCM Clearing Member by a Client, "obligations" shall consist only of those

obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Contracts being transferred or the Client's related collateral.

Upon request from the Clearing House, and in order to facilitate a transfer pursuant to this Regulation 108(b), the Carrying FCM Clearing Member shall notify the Clearing House of the Account Assets which are attributable to the transferring Client and, along with the Receiving FCM Clearing Member, shall take such actions and provide such information in connection with the transfer as may be required under the Procedures. In the event that the Carrying FCM Clearing Member fails to notify the Clearing House of the Account Assets that are attributable to the relevant Client, the Clearing House shall transfer such collateral as it deems appropriate and as set out in the Procedures.

- (c) Transfer of Portion of Client Portfolio. Upon the instruction or at the request of a Client via a Receiving FCM Clearing Member (as set out in the Procedures) to transfer a portion of that Client's portfolio of Contracts held in the relevant Client Segregated Sub-Account from a Carrying FCM Clearing Member, (the "**Porting Contracts**"), the Clearing House shall transfer (such transfer to occur by novation of such Porting Contracts rather than by closeout and rebooking of new Contracts) the Porting Contracts entered into by the Carrying FCM Clearing Member on behalf of such Client to a Receiving FCM Clearing Member, designated by the Client as set out in the Procedures; provided, that:
- (i) such Client has not become insolvent (such Client to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House);
 - (ii) neither the Carrying FCM Clearing Member nor the Receiving FCM Clearing Member is a Defaulter;
 - (iii) the Receiving FCM Clearing Member has consented to such transfer;
 - (iv) the Receiving FCM Clearing Member has provided sufficient Margin to the Clearing House in respect of its current Contracts and the Porting Contracts in order to enable the transfer;
 - (v) the Client has satisfied (such satisfaction to be presumed by the Clearing House unless evidenced to the contrary by the Carrying FCM Clearing Member in the manner set forth in the Procedures or as otherwise reasonably determined by the Clearing House) all outstanding obligations that are due and payable to the Carrying FCM Clearing Member and its Affiliates, including any increased margin due and payable that may result from the proposed transfer, unless the Carrying FCM Clearing Member otherwise consents; and
 - (vi) in the event that the transfer will lead to an increase in Required Margin due from the Carrying FCM Clearing Member to the Clearing House, the Carrying FCM Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirements.

- (f) Transfers between Proprietary Accounts of Two Clearing Members. To the extent permitted by and in accordance with the Procedures, a Clearing Member may transfer a Contract registered in its Proprietary Account to another Clearing Member's Proprietary Account. In addition to any other requirements or conditions set forth in the Procedures or required by the Clearing House (in its sole discretion), any such transfer is subject to the following conditions:
- (i) the Clearing House shall have received the consent of both Clearing Members to the transfer;
 - (ii) neither Clearing Member shall be a Defaulter; and
 - (iii) the Clearing House shall have determined that the Clearing Member that is the transferee has sufficient Margin deposited with the Clearing House to register such transferred Contract.
- (g) Clearing Member Instructions. Notwithstanding anything to the contrary in these Regulations, in making any transfer of one or more Contracts (and if applicable the related Account Assets) pursuant to this Regulation 108, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant Clearing Member(s), which shall be solely responsible for all such instructions and information, including ensuring that the transfer is properly authorized, the transfer is being made from the appropriate Client Segregated Sub-Account and that the appropriate account, Contracts and Account Assets have been identified, and the Clearing House shall have no responsibility or liability therefor.
- (h) No Assignment of Rights under a Contract. Except as may be permitted by paragraph (e) above, expressly permitted by other part of the Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under a Contract shall not be capable of assignment by a Clearing Member. Any such purported assignment by a Clearing Member, or any purported transfer that is not in compliance with this Regulation 108, shall be void.

Regulation 112 Records and Recordkeeping

- (a) Trading Information. The Clearing House shall make available to a Clearing Member in the manner and by the time prescribed by the Procedures, such details of original contracts presented for registration in the name of that Clearing Member, Contracts registered in that Clearing Member's name, and Margin furnished by that Clearing Member as may be prescribed in the Procedures.
- (b) Each Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding its Clients and any Affiliates for which it provides Clearing Services and regarding trades made on its own behalf through its Proprietary Account, the Contracts cleared for such Clients, Affiliates, or on its own behalf, as applicable, and the Margin held in respect of such cleared Contracts. Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the Contracts and Account Assets maintained in each Client Segregated Sub-Account for the relevant Client.
- (c) A Clearing Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to the Rulebook.
- (d) Record of Investments Regarding Client Funds.
 - (i) Each FCM Clearing Member that invests Client Funds shall keep a record showing the following:
 - (A) The date on which such investments were made;
 - (B) The name of the person through whom such investments were made;
 - (C) The amount of money or current market value of securities so invested;
 - (D) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;
 - (E) The identity of the depositories or other places where such instruments are held;
 - (F) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
 - (G) The name of the person to or through whom such investments were disposed of; and
 - (H) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.
 - (ii) When the Clearing House receives documents from its FCM Clearing Members representing or evidencing investment of Client Funds, the Clearing

House shall keep a record showing separately for each FCM Clearing Member the following:

- (A) The date on which such documents were received from the FCM Clearing Member;
 - (B) A description of such documents, including the CUSIP or ISIN numbers; and
 - (C) The date on which such documents were returned to the FCM Clearing Member or the details of disposition by other means.
- (iii) Such records shall be retained in accordance with CFTC Regulation 1.31. No such investments shall be made except in instruments permitted under Regulation 103(k).
- (e) Recordation of Valuation of Instruments Purchased with Client Funds. FCM Clearing Members that invest Client Funds in instruments permitted under Regulation 103(k) shall include such instruments in their FCM Clearing Member Segregated Account records and reports at values which at no time exceed their then current market value, determined as of the close of the market on the date for which such computation is made.
- (f) FCM Clearing Member Segregated Accounts; Daily Computation and Record.
- (i) Each FCM Clearing Member must compute as of the close of the previous Business Day:
 - (A) the aggregate amount of Client Funds on deposit in its FCM Clearing Member Segregated Accounts on behalf of Clients, including the amount attributable to each individual Client Segregated Sub-Account;
 - (B) the amount of such Client Funds required by the CEA, CFTC Regulations and the Rulebook to be on deposit in its FCM Clearing Member Segregated Accounts on behalf of such Clients, including the amount so required to be on deposit in each individual Client Segregated Sub-Account; and
 - (C) the amount of the FCM Clearing Member's residual interest in such Client Funds.
 - (ii) In computing the aggregate amount of funds required to be in its FCM Clearing Member Segregated Accounts, (including each individual Client Segregated Sub-Account), an FCM Clearing Member may offset any net deficit in a particular Client's account against the then current market value of readily marketable securities, less applicable percentage deductions (i.e., "securities haircuts") as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR § 241.15c3-1(c)(2)(vi)), held for the same customer's account. The FCM Clearing Member must maintain a security interest in the securities, including a written authorization to liquidate the securities at the FCM Clearing Member's discretion, and must segregate the securities in a safekeeping account with ~~the Clearing House, a bank, a trust~~

~~company or another FCM Clearing Member.~~Permitted Depository. For purposes of this section, a security will be considered “readily marketable” if it is traded on a “ready market” as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR § 240.15c3-1(c)(11)(i)).

- (iii) The daily computations required by this Regulation 112(f) must be completed by the FCM Clearing Member prior to noon on the next Business Day and must be kept, together with all supporting data, in accordance with the requirements of CFTC Regulation 1.31.
- (g) Classification of Positions. Each FCM Clearing Member shall maintain, as provided in CFTC Regulation 1.31, a record of all securities and property received from Clients in lieu of money to margin, purchase, guarantee or settle the cleared Contracts of such Clients. Such record shall show separately for each Client: a description of the securities or property received; the name and address of such Client; the dates when the securities or property were received; the identity of the ~~depositories~~Permitted Depositories or other places where such securities or property are segregated; the dates of deposits and withdrawals from such ~~depositories~~Permitted Depositories; and the dates of return of such securities or property to such Client, or other disposition thereof, together with the facts and circumstances of such other disposition.

account of another Clearing Member to the account of the Defaulter for the purposes of closing out a Contract registered in an account of the Defaulter or for any other reason which the Clearing House considers appropriate in the circumstances without requiring the consent of any relevant Approved Trade Source System or other person;

- (v) to take such steps as may be desirable, to the extent permitted by applicable law, including crediting or debiting of accounts (including Margin accounts), entry into new Contracts, transfer of existing Contracts, reversal of Contracts, or termination, close-out and re-establishment of Contracts, or any other step, to preserve as far as possible the position of any Client of the Clearing Member. Where a Contract is transferred or closed-out, terminated, and re-established under paragraph (iv) above, without requiring the consent of any relevant Approved Trade Source System or other person, to transfer (whether by way of transfer or by way of termination, close-out and re-establishment of positions) to the Clearing Member to whom the Contract is transferred (or with whom the replacement Contract is re-established) such Margin held as security for the Defaulter's obligations to the Clearing House on that account as the Clearing House may deem appropriate;
- (vi) to make or procure the making of one or more Contracts, including (without limitation) Contracts for the purpose of hedging market risk to which the Defaulter is exposed, and to register the same in the Defaulter's name under the Rulebook;
- (vii) to designate a currency as a currency of account, and at the Defaulter's expense to convert any sum payable by or to the Defaulter in another currency into the currency of account;
- (viii) without prejudice to any other right of the Clearing House under the Rulebook, to take such action as the Clearing House may deem necessary for its protection in the name and at the expense of the Defaulter with regard to any Contract standing in its name;
- (ix) in respect of Contracts standing in the Defaulter's name, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to or in consequence of the circumstances mentioned in Regulation 202 or the steps which are or may be taken under this Regulation 204 or any provision of the Rulebook and any expenses incurred with regard thereto under Regulation ~~208~~207;
- (x) any other step calculated by the Clearing House to complete the process set out in Regulation 405; and
- (xi) to obtain such advice or assistance, whether legal advice or otherwise, as the Clearing House may in its sole discretion deem necessary and at the expense of the Defaulter for any matter arising out of or in connection with the Default.

Regulation 205 **Discharge of Defaulter's Rights and Liabilities-; Multiple Accounts; Treatment of Variation Margin**

(a) Upon the discharge of the Defaulter's rights and liabilities under or in respect of all Contracts to which it is party the following process shall, subject to any contrary provision in Regulation 301, be completed by the Clearing House:

(i) there shall be brought into account all sums payable:

(A) by or to a Defaulter in respect of Contracts; ~~(other than Contracts held on behalf of Clients);~~

(B) by or to the Defaulter in respect of each Client Segregated Sub-Account (and in connection therewith the Clearing House shall have sole discretion with respect to the allocation of any available Buffer or the reallocation of any Applied Buffer in calculating such net sum);

(C) any other sum due under the Rulebook;

(D) any sum due in respect of any breach of the Rulebook; and

~~(E)~~(E) and/or any amount due from the Defaulter to the Clearing House in respect of any business between the Defaulter and the Clearing House;

(ii) the sums so payable shall be aggregated or set off so as to produce a net sum or as many net sums as required by Regulation ~~207;~~205(b) and (c) below;

(iii) such net sum, or each such net sum:

(A) if payable by the Defaulter to the Clearing House, shall be set off against any Margin standing to the credit of the Defaulter's account so as to produce a further net sum, or shall be aggregated with any debit balance of the Defaulter's account, or

(B) if payable by the Clearing House to the Defaulter, shall be aggregated with any Margin standing to the credit of the Defaulter's account, or shall be set off against any debit balance of the Defaulter's account so as to produce a further net sum-;

(iv) ~~Where~~where an amount is payable by the Clearing House to the Defaulter in respect of a balance on its Proprietary Account(s), and there are amounts due to the Clearing House in respect of one or more Omnibus Client Swaps Accounts with LCH of such Defaulter, the balance of the Proprietary Account(s) may be applied to meet the shortfall in any such Omnibus Client Swaps Accounts with LCH in any way the Clearing House may determine in its sole discretion-;

(v) in the event that the Clearing House elects to close out and liquidate Contracts attributable to Clients of the Defaulter, the Clearing House shall allocate any costs associated with such closing out and liquidation process (including hedging costs (including gains and losses associated with hedging transactions) and liquidation/auction costs and losses) among Clients whose

positions were liquidated, by allocation to such Clients' Client Segregated Sub-Accounts in the manner set out in Section 2A.17.6 of the Procedures and in accordance with Part 22 and Part 190 of the CFTC Regulations; and

(vi) with respect to any Unallocated Excess deposited in the Unallocated Excess Sub-Account of the Defaulter, the Clearing House shall not be permitted to apply any such Unallocated Excess to the obligations of the Defaulter to the Clearing House (on behalf of the Defaulter's Clients or otherwise) or take any such Unallocated Excess into account for purposes of determining net sums under this Regulation 205, except to the extent required by applicable law or directed by the applicable bankruptcy trustee or Regulatory Body in accordance with applicable law.

(b) Further Interpretation of this Regulation 205.

(i) For the purposes of paragraph (a)(i) of this Regulation 205 the Clearing House may assess the sum payable by or to the Defaulter in respect of any breach of the Rulebook in such reasonable manner as it thinks fit, subject to the CFTC Regulations or other applicable law.

(ii) In Regulation 205(a)(iii) the "Defaulter's account" means:

(A) with regard to a net sum produced by reference to Contracts registered in one or more Omnibus Client Swaps Accounts with LCH of the Defaulter, that Omnibus Client Swaps Account with LCH, or (if there is more than one) all those Omnibus Client Swaps Accounts with LCH combined;

(B) with regard to a net sum produced by reference to Contracts registered in one or more Proprietary Accounts of the Defaulter, that Proprietary Account or those Proprietary Accounts combined and (if the Clearing House has elected in accordance with Regulation ~~207~~205(c) below) any other accounts of the Defaulter with the Clearing House; and

(C) with regard to a net sum produced by reference to one or more accounts of the Defaulter other than Omnibus Client Swaps Accounts with LCH and other than Proprietary Accounts, such other account or those other accounts combined, and (if the Clearing House has elected in accordance with Regulation ~~207~~205(c) below) Proprietary Accounts.

~~Regulation 206~~Regulation 101 ~~Clearing House Certification~~

~~Upon completion of the process set out in Regulation 205, the Clearing House shall certify either (x) the sum, or each sum, finally payable by the Defaulter to the Clearing House or (y) the fact that no sum is finally payable by either party to the other. The certificate of the Clearing House under this Regulation 206 shall be conclusive as to the discharge of the Defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Regulation 206 to be due to the Defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the Defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Regulation 205 can be completed.~~

Regulation ~~207~~(c) Multiple Accounts of Defaulter.

(i) Where the Defaulter has more than one account with the Clearing House, the Defaulter's accounts shall be combined for the purpose of Regulations 205 and 206 as follows:

(A) an account which is an Omnibus Client Swaps Account with LCH of the Defaulter may only be combined with other Omnibus Client Swaps Accounts with LCH of the Defaulter; ~~and provided, that no account which is a Client Segregated Sub-Account of a Client may be combined with any other account, including any Client Segregated Sub-Account of another Client of the Defaulter, other than another Client Segregated Sub-Account of the same Client held with the Defaulter; and~~

(B) an account which is a Proprietary Account of the Defaulter may be combined with any other Proprietary Accounts of the Defaulter and (if the Clearing House so elects) any other accounts of the Defaulter relating to any other business between the Defaulter and the Clearing House (subject to Regulations 205(a)(iv) and ~~207(b))~~. 205(c)(ii)).

~~(a)~~ Notwithstanding anything in the Rulebook to the contrary, in no circumstances may an account which is an Omnibus Client Swaps Account with LCH of the Defaulter (or any other type of account for a Client) be combined with any other account of the Defaulter, other than, to the extent permitted by the CEA and the CFTC Regulations, other Client accounts of the Defaulter that are in the same customer account class (as such term is used in the CEA and the CFTC Regulations).

~~(b)~~(ii) Notwithstanding any provisions in the Rulebook to the contrary, any loss which relates to business between the Defaulter and the Clearing House which is not related to Contracts and is not otherwise governed by the Rulebook may not be treated as a Default Loss, whether or not Margin has been applied in respect of such loss. Nothing in this Regulation ~~207(b)~~205(c)(ii) requires the Clearing House to apply Margin in respect of any such loss instead of any other amount referred to in Regulation 205(a)(i), except that the Clearing House may not apply Margin in respect of any such loss to the extent that doing so would give rise to an Excess Loss.

(d) Treatment of Variation Margin Payments in Respect of Contracts of Clients of a Defaulter.

(i) Porting. Where a Contract held on behalf of a Client is transferred to a transferee Clearing Member (in accordance with the Rulebook including Regulation 204(c)) for such Client, the Clearing House shall, subject to the limitations of Regulation 205(d)(iii) below, ensure that an amount equal to the net Variation Margin that has accrued in favor of the Client under such Contract (including before and after the relevant default) through the time such Contract is transferred, but which has not yet been paid by the Clearing House, is credited by the Clearing House on its books (but not yet paid or transferred to the Defaulter, the Client or any other person) for the benefit of

the relevant Client. Upon the transfer of all relevant Contracts of a Client to a transferee Clearing Member, the Clearing House shall attribute any amounts (in respect of Variation Margin) so credited on the books of the Clearing House to the relevant Client Segregated Sub-Account(s) of such Client with the applicable transferee Clearing Member; provided, that the Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.

(ii) Liquidation and Close Out. Where a Contract held on behalf of a Client is closed out and liquidated in accordance with the Rulebook (including the Default Regulations and Section 2A.17.6 of the Procedures, as applicable), the Clearing House shall, subject to the limitations of Regulation 205(d)(iii) below, ensure that an amount equal to the net Variation Margin that has accrued in favor of the Client under such Contract (including before and after the relevant default) through the time the relevant Contract is closed out and liquidated, but which has not yet been paid by the Clearing House, is credited (but not yet paid or transferred to the Defaulter, the Client or any other person) by the Clearing House on its books for the benefit of such Client. Following certification pursuant to Regulation 206 of the net sum payable in respect of the relevant Client Segregated Sub-Account of such Client in which some or all of the Contracts are closed out and liquidated, where (A) such Client is not in default as described in Regulation 205(d)(iii)(A) below, and (ii) the Clearing House has credited, in the aggregate (netting all payments due or payable in respect of such Client's Client Segregated Sub-Account and any Variation Margin accrued but not paid in respect of such Client), a positive value (i.e., payable by the Clearing House) of accrued but unpaid Variation Margin on its books for the benefit of the Client pursuant to this Regulation 205(d)(ii), the Clearing House shall, subject to the limitations of Regulation 205(d)(iii) below, pay an amount equal to any Variation Margin so credited for the benefit of the Client directly to such Client; provided, that the Client has provided instructions, in form and substance reasonably satisfactory to the Clearing House, for payment and completed or supplied any agreement, form, representation or other information that the Clearing House may reasonably require in its sole discretion.

(iii) Certain Limitations.

(A) Where a Client has defaulted with respect to its obligations to the Defaulter, the Clearing House may determine, in its sole discretion, to make, or to refuse to make, any payments or credits to or on behalf of such Client in respect of Variation Margin pursuant to this Regulation 205(d), or may retain such amounts to the extent necessary to offset any unsatisfied obligations of such Client to the Defaulter or of the Defaulter to the Clearing House in respect of such Client, or any other obligations in respect of Clients of the Defaulter to the extent permitted by applicable law.

(B) For the avoidance of doubt, where Contracts in respect of a Client are closed out and liquidated and/or are transferred to a Hedged Account,

and the gains and losses (including hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) that are allocated to such Client in connection therewith (pursuant to the Rulebook, including Section 2A.17.6 of the Procedures and the Default Regulations) exceed the amount of cover deposited with the Clearing House on behalf of such Client, the Clearing House shall be permitted to set off (in whole or in part, as applicable) any payments or credits in respect of Variation Margin owed by the Clearing House in respect of such Client under this this Regulation 205(d) against any such excess costs.

- (iv) Notwithstanding anything to the contrary in the Rulebook, each Client of a Defaulter is hereby expressly made a third-party beneficiary of the provisions of this Regulation 205(d), solely for purposes of the Clearing House's obligations to such Clients under this this Regulation 205(d).

Regulation 206 Clearing House Certification

Upon completion of the process set out in Regulation 205, the Clearing House shall certify either (x) the sum, or each sum, finally payable by the Defaulter to the Clearing House (including any sums payable to the Defaulter for the benefit of one or more of its Clients) or (y) the fact that no sum is finally payable by either party to the other. The certificate of the Clearing House under this Regulation 206 shall be conclusive as to the discharge of the Defaulter's rights and liabilities in respect of the Contracts to which it relates. The Clearing House shall, as soon as practicable after issuing a Default Notice in respect of a Clearing Member, appoint a day on which any net sums certified under this Regulation 206 to be due to the Defaulter are to be paid by the Clearing House. The day so appointed may fall before or after the effective date of termination of the Defaulter's Clearing Membership Agreement but shall not fall on a day before the process specified in Regulation 205 can be completed.

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
Vanilla interest rate swaps with constant	Euro (EUR)	USD-Federal Funds H.15-OIS-COMPOUND	Fixed vs. Floating	Single currency	736 days	
		See Article 7.1(ab)(xxxix) for definition				
		EUR-LIBOR-BBA	Fixed vs. Floating	Single currency	18,275 days	0.01-
		See Article 7.1(f)(vii) for definition	Floating vs. Floating			99,999,999,999.99
		EUR-EURIBOR-Telerate				
		See Article 7.1(f)(ii) for definition				
	Australian Dollar (AUD)	EUR-EONIA-OIS-COMPOUND	Fixed vs. Floating	736 days	<u>736 days</u>	
		See Article 7.1(f) (viii) for definition				
		AUD-BBR-BBSW	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(a) (iv) for definition	Floating vs. Floating			
		AUD-LIBOR-BBA				

Instrument	Acceptable Currencies	Acceptable Indices ⁶	Types		Maximum Residual Term	Notional Amount (Min-Max of the relevant currency unit)
notional principal		See Article 7.1(a) (viii) for definition				
	Canadian Dollar (CAD)	CAD-BA-CDOR	Fixed vs. Floating	Single currency	10,970 days	0.01-99,999,999,999.99
		See Article 7.1(b) (ii) for definition	Floating vs. Floating			
		CAD-LIBOR-BBA				
		See Article 7.1(b) (viii) for definition				
		CAD-CORRA-OIS-COMPOUND	Fixed vs. Floating vs. Floating	Single currency	736 days	0.01-99,999,999,999.99
		See Article 7.1(b) (xii) for definition				
	Czech Koruna (CZK)	CZK-PRIBOR-PRBO	FIXED vs. FLOAT	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1r(i) for definition	FLOAT vs. FLOAT			
	Danish Krone (DKK)	DKK-CIBOR-DKNA13	Fixed vs. Floating	Single currency	3670 days	0.01-99,999,999,999.99
		See Article 7.1(e) (i) for	Floating vs.			

Day Count Fractions using the ISDA 2006 Definitions:

Day Count Fraction	MarkitWire/FpML Code	Currency
Actual/365 (Fixed)	ACT/365.FIXED	CAD, AUD, NZD, PLN, ZAR
Actual/360	ACT/360	USD, EUR, CHF, DKK, JPY, NOK, SEK, CZK, HUF

Fraction	SWIFT Code
Actual/365, Actual/Actual (See Article 4.16(b) for definition)	ACT/365 ACT/365
Actual/365 (Fixed) (See Article 4.16(c) for definition)	AFI/365 AFI/365
Actual/360 (See Article 4.16(d) for definition)	ACT/360 ACT/360
30/360, 360/360, Bond Basis (See Article 4.16(e) for definition)	360/360
30E/360 (See Article 4.16(f) for definition)	30E/360

(b) Business Day Conventions

The Business Day Convention specified in the Economic Terms must be one of the following:

Following (see Article 4.12(i) of the ISDA 2000 Definitions and Article 4.12(i) of the ISDA 2006 Definitions for definition)

Modified Following (see Article 4.12(ii) of the ISDA 2000 Definitions and Article 4.12(ii) of the ISDA 2006 Definitions for definition)

Preceding (see Article 4.12(iii) of the ISDA 2000 Definitions and Article 4.12(iii) of the ISDA 2006 Definitions for definition)

For vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

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In the event that the Clearing House determines that an LCH Approved Outsourcing Party has been appointed to provide operational support to a number of Clearing Members great enough so that it may not be able to provide such services efficiently to each and every one of those Clearing Members in the event of a Default, it may require a Clearing Member who has appointed such LCH Approved Outsourcing Party to replace the LCH Approved Outsourcing Party and make suitable alternative arrangements within 14 days of the Clearing House's determination.

The appointment of an LCH Approved Outsourcing Party does not absolve a Clearing Member of its obligations under the Default Management Process (including its obligation to participate in an Auction), and an LCH Approved Outsourcing Party's participation in Default Management Process on behalf of a Clearing Member in the event of a Default shall not extend beyond the provision of operational and other ancillary support to that Clearing Member.

2A.17.5 The DMG

The necessary involvement of Clearing Members and the DMG in the Default Management Process entails the assessment and dissemination of information that could give rise to conflicts of interest. To ensure that such potential conflicts are demonstrably contained, Appendix 2A.E establishes binding obligations of confidentiality, anonymity and the extent of dissemination of information on Clearing Members (and their executives or directors who participate from time to time in the Default Management Process) and on the Clearing House.

Each Clearing Member who makes available a representative to serve on the DMG agrees, and shall procure that, to the extent applicable, its representatives agree to be bound by and to ensure that it and any of its executives or directors serving on the DMG complies with, Appendix 2A.E covering confidentiality, non-disclosure and other terms.

2A.17.6 Procedures for Liquidation of SwapClear Contracts of Clients

Upon the default of an FCM Clearing Member, the Clearing House has the power and authority, pursuant to the Rulebook, the CEA and the CFTC Regulations, to liquidate the SwapClear Contracts of Clients which, pursuant to the Rulebook, would be conducted in accordance with the Default Regulations. This section sets forth certain supplementary procedures (in addition to the Default Regulations and other applicable provisions of the Rulebook) that will apply under such circumstances.

When the Clearing House determines that part or all of a Client's Client Segregated Sub-Account holding SwapClear Contracts is non-transferable and such Client Segregated Sub-Account and any or all of the SwapClear Contracts held in such Client Segregated Sub-Account will be liquidated, the Clearing House shall transfer (either physically or by book-entry) such Client's SwapClear Contracts to be liquidated into an account of the Clearing House established for purposes of liquidating the SwapClear Contracts of Clients of the Defaulter (such account, a "Hedged Account"). The Clearing House shall establish a separate Hedged Account for each currency of SwapClear Contracts that are non-transferable and will be subject to liquidation and will include in each such Hedged Account the

SwapClear Contracts in the applicable currency that are to be liquidated, regardless of the Clients for which such SwapClear Contracts are held. The provisions of this section shall apply equally to any such Hedged Account. Additionally, no Contracts other than SwapClear Contracts will be transferred into a Hedged Account established for liquidating SwapClear Contracts.

A Client whose SwapClear Contracts are transferred into a Hedged Account is referred as a “**Non-Porting Client**”. The Clearing House shall hold the Account Assets of each Non-Porting Client (segregated as belonging to each such applicable Non-Porting Client in accordance with the CFTC Regulations and Part 22 thereof) in its applicable Client Segregated Sub-Account until the liquidation of the entire Hedged Account and all SwapClear Contracts and other positions therein, as described below. At the time that the SwapClear Contracts of a Non-Porting Client are transferred into a Hedged Account, any outstanding and accrued but unpaid Variation Margin in respect of such SwapClear Contracts shall be discharged as of the time such SwapClear Contracts are transferred into the Hedged Account, by (i) in the event that Variation Margin is accrued but unpaid in favor of the Clearing House, debiting the Client Segregated Sub-Account of such Client, or (ii) in the event that Variation Margin is accrued but unpaid in favor of the Client, crediting the Client Segregated Sub-Account of such Client.

Administration of a Hedged Account. The Clearing House may enter into hedge transactions and liquidate and/or auction the SwapClear Contracts and hedges in a Hedged Account, and may take related actions with respect to a Hedged Account (and the positions held therein), in its sole discretion as permitted by the Rulebook, the CEA and the CFTC Regulations, or as directed by an applicable Regulatory Body.

Allocation of Gains and Losses in a Hedged Account to Non-Porting Clients. The Clearing House will allocate losses and gains (including further variation margin changes, hedging costs (including the gains and losses associated with hedging transactions) and liquidation/auction costs and losses) to Non-Porting Clients in a Hedged Account in accordance with the following provisions:

- (i) At the time a Client becomes a Non-Porting Client, such Non-Porting Client is assigned a risk factor (a “**Risk Factor**”) which is equal to such Non-Porting Client’s Initial Margin requirement with respect to its SwapClear Contracts that are transferred into the Hedged Account at the time such Client became a Non-Porting Client (i.e., at the time of transfer into the Hedged Account).
- (ii) On the first day that Clients become Non-Porting Clients, gains and losses in the Hedged Account on such day shall be allocated on a *pro rata* basis among such Non-Porting Clients based on their individual Risk Factors. The allocation of gains and losses on subsequent days shall be made in the same manner until the occurrence of a day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account. Additional Non-Porting Clients that are included in the Hedged Account on a subsequent day, until further additional Non-Porting Clients are included in the Hedged Account on a further subsequent day, are referred to as “**New Non-Porting Clients**”.
- (iii) On a day when one or more New Non-Porting Clients are included in the Hedged Account, the Clearing House shall calculate a combined risk factor (the “**Existing Non-Porting Clients Combined Risk Factor**”) in respect of the Non-Porting Clients that were previously included in the Hedged Account and are not New Non-Porting Clients (such existing Non-Porting Clients, “**Existing Non-Porting Clients**”). The Existing Non-Porting Clients Combined Risk Factor shall be based on the amount of Initial Margin associated with the Hedged Account with respect to all positions (including all SwapClear Contracts, hedges or other positions) held in the Hedged Account, at the beginning of the day on which New Non-Porting Clients are included in the Hedged Account (i.e., at a time prior to the transfer of the SwapClear Contracts of New Non-Porting Clients into the Hedged Account). For the avoidance of doubt, the Existing Non-Porting Clients Combined Risk Factor is calculated without respect to the Initial Margin requirements applicable to the transferred SwapClear Contracts of the New Non-Porting Clients.
- (iv) On any day on which New Non-Porting Clients are included in the Hedged Account, gains and losses in the Hedged Account that are incurred on that day will be allocated among the Existing Non-Porting Clients (as a group) and the New Non-Porting Clients (individually) on a *pro rata* basis based on the Existing Non-Porting Clients Combined Risk Factor (with respect to the Existing Non-Porting Clients as a group) and the individual Risk Factors of each New Non-Porting Client (with respect to each such New Non-Porting Client individually). The gains and losses allocated in such manner to the Existing Non-Porting Clients as a group shall be further allocated to each individual Existing Non-Porting Client on a *pro rata* basis based on the Risk Factor of each such Existing Non-Porting Client. The allocation of gains and losses on subsequent days shall occur in the same manner as set forth in this paragraph (iv) until the occurrence of a

day (if applicable) in which additional Non-Porting Clients are included in the Hedged Account and thus become the New Non-Porting Clients. In such a case, (A) the Existing Non-Porting Clients shall continue to be treated as Existing Non-Porting Clients, (B) the Non-Porting Clients previously constituting the New Non-Porting Clients shall then constitute Existing Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), (C) the additional Non-Porting Clients included in the Hedged Account constitute the New Non-Porting Clients (in accordance with the definition of New Non-Porting Clients in paragraph (ii) above), and (D) the Clearing House shall recalculate the Existing Non-Porting Clients Combined Risk Factor and the allocation of gains and losses shall be in accordance with paragraph (iii) above and this paragraph (iv).

- (v) Upon the liquidation of the Hedged Account and all SwapClear Contracts and other positions therein, by auction or otherwise, any gains or losses associated with such auction/liquidation shall be allocated among all Non-Porting Clients on a *pro rata* basis based on the Risk Factor of each Non-Porting Client, without regard to any Existing Non-Porting Clients Combined Risk Factor.

Settlement of Non-Porting Clients Following Liquidation of Hedged Account. Following the liquidation of a Hedged Account, the Clearing House shall allocate the appropriate gains and losses (as determined in accordance with the above provisions) to each Non-Porting Client's relevant Client Segregated Sub-Account.

2A.18 **Taxes**

Each Clearing Member shall pay any tax or duty levied or imposed upon it or in respect of its execution or performance of the Clearing Membership Agreement and the Rulebook (including any registration of Contracts) by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting is located or by any other jurisdiction.

If any Clearing Member fails to pay a tax required to be paid pursuant to the previous paragraph and a liability resulting from such tax is assessed directly against the Clearing House, then, except to the extent the Clearing Member has satisfied or then satisfies the liability resulting from such tax, the Clearing Member will promptly pay to the Clearing House the amount of such liability (including any related liability for interest, penalties and cost) plus any tax imposed on the Clearing House with respect to the indemnity payment under this paragraph.

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

Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to the interest on these securities that starts to run on or after 1 January 1997, regardless of the issue date.

Zero coupon debt securities with a maturity of less than one year (BOTs)

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

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

4.10.2 **Withholding Tax — CSDs/Custodians**

CSDs/Custodians may offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSD/Custodian and the Clearing House at the time when a coupon is due.

4.11 **References**

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

4.12 **Contingency arrangements**

In the event of an outage of the Collateral Management system, Clearing Members will be able to lodge and release securities by faxed instructions to the Clearing House.

Clearing Members will be notified of a Collateral Management system outage via Member Circular that will notify Clearing Members of the switch to contingency arrangements. Each Clearing Member should then revert to the fax forms for securities found in the appendices to this Section 4.

Normal service hours and deadlines will apply to faxed instructions.

Clearing Members will be notified via Member Circular when normal service resumes.

4.13 **Return of Unallocated Excess and Buffer**

Upon the request of an FCM Clearing Member, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or Buffer (as requested) to such FCM Clearing Member; provided, that (i) FCM

Clearing Members are not entitled to request the return of Applied Buffer, and (ii) the Clearing House shall not be required to return Buffer if the FCM Clearing Member is a Defaulter. The FCM Clearing Member's request must contain the specific details of the amount of funds requested and whether such FCM Clearing Member is requesting the return of Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

Regulation 106(g) contains additional provisions relating to Buffer, Applied Buffer and Unallocated Excess.